

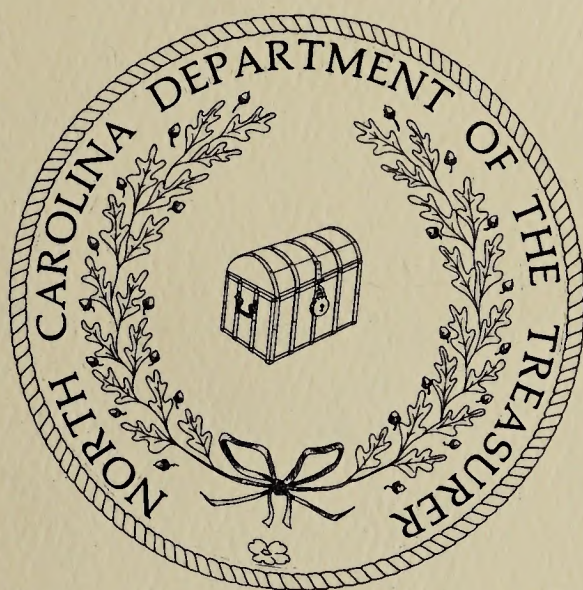
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ANNUAL REPORT



NORTH CAROLINA DEPARTMENT OF STATE TREASURER

FISCAL YEAR
1978-1979

ANNUAL REPORT

July 1, 1978
through
June 30, 1979

NORTH CAROLINA DEPARTMENT OF STATE TREASURER

325 North Salisbury Street
Raleigh, North Carolina
27611



STATE OF NORTH CAROLINA
DEPARTMENT OF THE TREASURER
RALEIGH 27611

HARLAN E. BOYLES
STATE TREASURER

The Honorable James B. Hunt, Jr.
Governor of North Carolina
The Advisory Budget Commission and
The General Assembly

Gentlemen:

It is my pleasure, as well as my duty, to present to you the 1978-1979 fiscal year report of the Treasurer of North Carolina.

Despite the unsettled conditions which have prevailed in the economic climate of our nation during the past year, I am happy to be able to report to you that the financial condition of the State, and of its retirement systems, continues to be sound. In a time of rapidly-rising interest rates, the bonds issued by our State and local governments continue to bear the lowest interest rates available in the market place. The quality of these bonds rests upon the sound financial principles which have long been followed in North Carolina.

In the day-to-day operations of the Department of the State Treasurer, full accountability to the people of the State of North Carolina is the guiding principle which we follow. To see that no penny of the public's money goes astray, and to assure that we achieve maximum interest returns on the money which is entrusted to our care - even for very brief periods - are our primary aims.

North Carolina's reputation for fiscal soundness is a matter for much pride. It is well known in the nation's financial circles, and it is often noted by our sister states. I pledge to you my continued best efforts to build upon the sound structure established by my predecessors, to the end that we may all continue to be proud of our State, of its people, and of our leaders.

Sincerely,

Harlan E. Boyles
State Treasurer



HARLAN E. BOYLES

*State Treasurer
of North Carolina*

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DEPARTMENT OF STATE TREASURER

INTRODUCTION

The Treasurer, as a constitutional officer of the State of North Carolina, plays a significant role in many important areas of State and local government. In a direct sense, the Treasurer serves the State departments and agencies as banker and investment officer; as fiscal advisor to the members of the General Assembly and to officials of county and city governments in matters of debt administration; and, as administrator in the broad area of retirement and health benefits for public employees in State and local government.

As a member, ex officio, of many boards and commissions, the Treasurer is also involved extensively in educational policy in the public schools and community colleges, in the acquisition and disposition of State lands and buildings, in bank regulation and in many other aspects of State government. For example, by virtue of the Constitution the Treasurer is a member of the Council of State and the State Board of Education. By virtue of enactments of the General Assembly, the Treasurer is, ex officio Chairman of the State Banking Commission; Chairman of the Local Government Commission; Chairman of the Tax Review Board; Chairman of the Board of Trustees, Teachers' and State Employees' Retirement System; Chairman of the Local Governmental Employees' Retirement System; Chairman of the Law Enforcement Officers' Benefit and Retirement Fund; ex officio Member of the North Carolina Capital Building Authority; Member of the Capital Planning Commission; Member of the Governor's Commission on Governmental Productivity; Member of the Board of Directors, North Carolina Art Society; Member of the John Motley Morehead Memorial Commission.

As an elected officer, the Treasurer is responsible, first and foremost, to the entire citizenry of the State. The Treasurer, in short, is the constitutional officer whose duty it is to see that all safeguards on the handling of the public's funds are exercised.

Strict accountability to the public is the primary principle which governs all of the activities carried out under the constitutional and statutory authority of the Treasurer.

Chart 1

ORGANIZATION

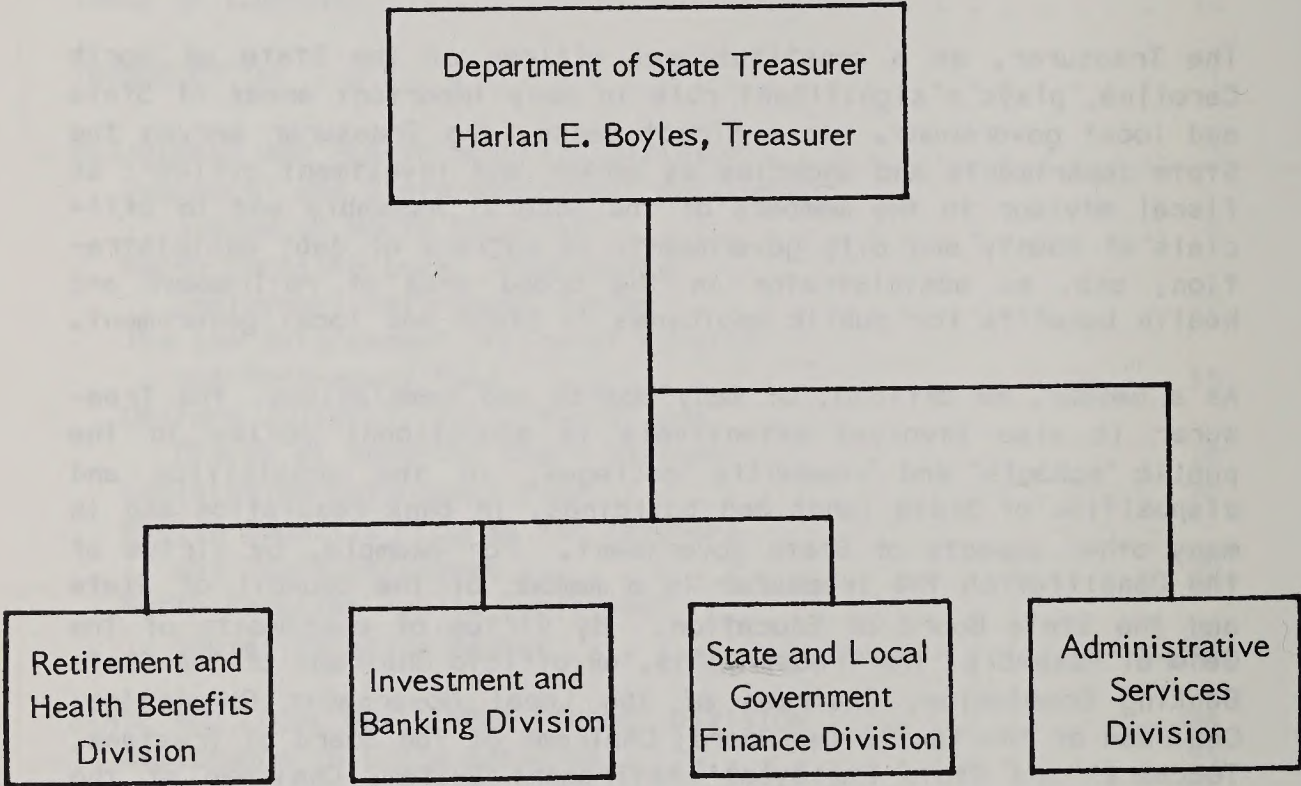


Chart 2

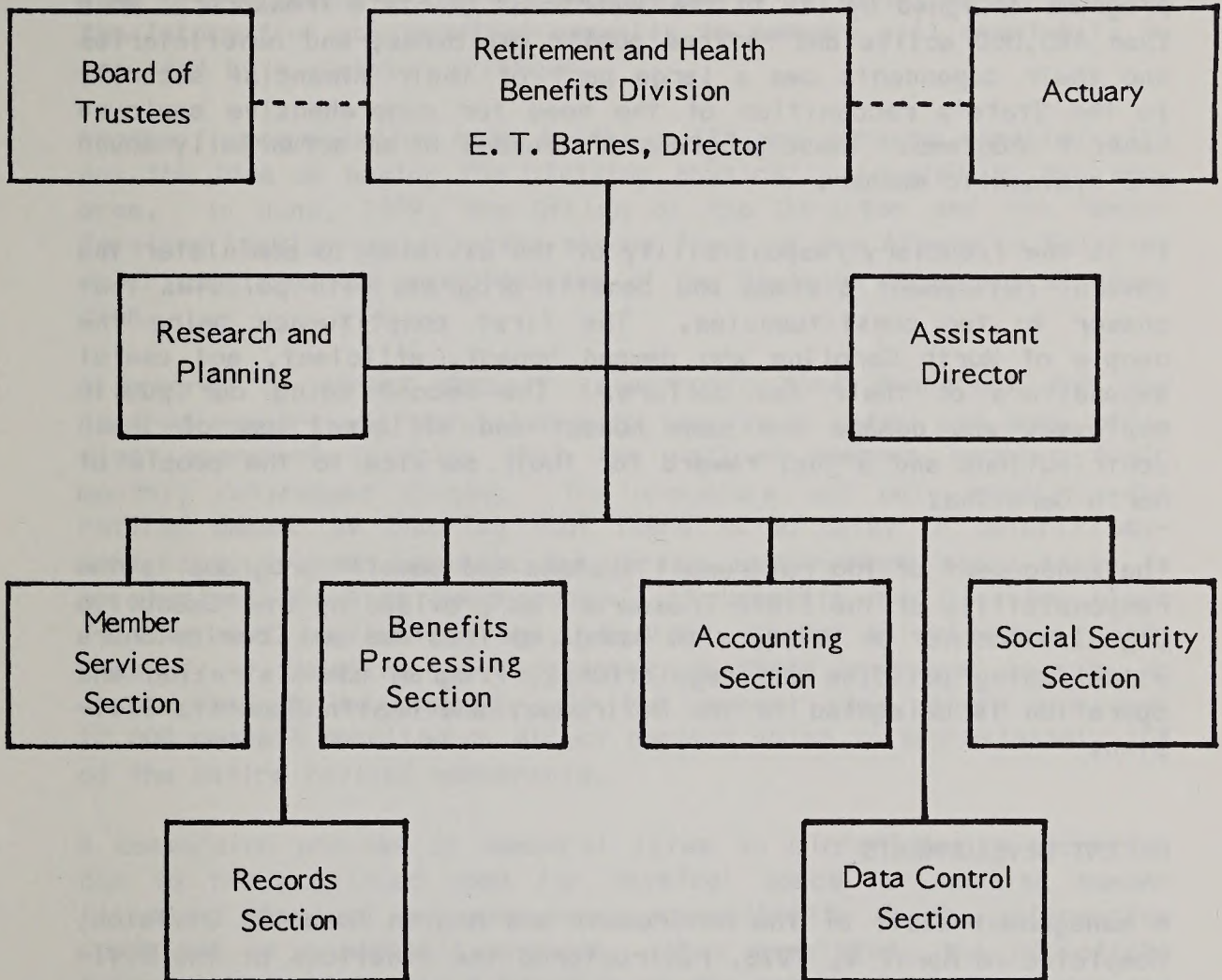
KEY PERSONNEL OF THE DEPARTMENT

Harlan E. Boyles	State Treasurer
Thomas C. Wagstaff	Assistant to the Treasurer
Edwin T. Barnes	Deputy Treasurer and Director, Retirement & Health Benefits Division
John D. Foust	Deputy Treasurer and Director, State & Local Government Finance Division
Christopher S. Moore	Deputy Treasurer and Director, Investment and Banking Division
James C. Moore	Deputy Treasurer and Director, Administrative Services Division

RETIREMENT AND HEALTH BENEFITS DIVISION

ORGANIZATION

Chart 3



INTRODUCTION

The Retirement and Health Benefits Division provides North Carolina's public employees with retirement allowances, as deferred payments of salary, and other fringe benefits as part of a total package of compensation. This package is designed to aid in the recruitment and retention of competent employees in the public service. It also adds to the efficiency of public employees by giving them a measure of freedom from the apprehension of old age and disability.

This Division administers the Teachers' and State Employees' Retirement System of North Carolina, North Carolina Local Governmental

Employees' Retirement System, Law Enforcement Officers' Benefit and Retirement Fund, Uniform Judicial Retirement System, Uniform Solicitorial Retirement System, Uniform Clerks of Superior Court Retirement System, the Legislative Retirement Fund, and other benefit programs assigned by law to the Department of State Treasurer. More than 400,000 active and retired public employees, and beneficiaries and their dependents owe a large part of their financial security to the State's recognition of the need for comprehensive employee benefit programs. These programs are funded in an actuarially sound and systematic manner.

It is the fiduciary responsibility of the Division to administer the several retirement systems and benefit programs with policies that answer to two constituencies. The first constituency being the people of North Carolina who demand honest, efficient, and useful expenditure of their tax dollars. The second being our public employees who demand the same honest and efficient use of their contributions and a just reward for their service to the people of North Carolina.

The management of the retirement systems and benefit programs is the responsibility of the State Treasurer, as provided by the "Executive Organization Act of 1971", with Boards of Trustees and Commissioners establishing policies and regulations. Program administration and operation is delegated to the Retirement and Health Benefits Division.

RECENT DEVELOPMENTS

A management audit of the Retirement and Health Benefits Division, completed on April 4, 1978, restructured the functions of the Division and produced the organizational chart on the preceding page. The purpose of the management audit was to improve operations and to establish an organization more in harmony with current needs and future requirements anticipated for the Division. The Division has implemented essentially all of the recommendations made by the management audit and now functions with greater efficiency and provides better services to its members.

In addition to the organizational changes made by the Division, there were also some ancillary recommendations in the audit, upon which the Division has already taken action. Most important of these recommendations was the concept of placing all historical data of the members on the computer. This would give the Division a "free standing" file which would be more accessible and would provide current information on all member accounts. This conversion process is in progress and eventually the Division will be capable

of providing all active members annual statements on their contributions to the System, estimates of retirement benefits, information on what a member could expect in the way of death benefits, and the name of the member's current beneficiary. In other words, most of the information now provided manually to members will eventually be provided by a computer printout.

Another recommendation made in the audit and already complied with was the idea of having the Division physically located in the same area. In June, 1979, the Office of the Director and the Member Services Section moved to the second floor of the Albemarle Building which completed the consolidation of the Division in a central location.

A program of direct deposit (electronic fund transfer) for the retired members was established to provide a safer and more efficient means of insuring that the retired members receive their monthly retirement checks. The procedure not only benefits the retired member by insuring that there is no delay in benefit payment; but, it also benefits the thrift institutions since there is no physical check to be processed; it benefits the Division since it does not require postage, physical checks or envelopes; and, finally, it benefits the Department of State Treasurer because no checks have to be cleared. At the present time, there are over 12,000 members enrolled on direct deposit which is approximately 23% of the entire retired membership.

A conversion process of members' files to microfiche is occurring due to the continued need for physical space for housing member files and the need for more rapid accessibility to the information contained in a member's account. When completed, the microfiche files will require only a fraction of the space currently needed and will provide overflow space for other Sections. In addition, this process will give the Division a greater control on the security of the member's file since the original microfiche jackets will remain in the Records Section.

OPERATIONS OF THE SYSTEMS

The administrative expenses of operating the retirement systems are satisfied by receipts from the retirement systems based on a pro rata charge. The administrative expenses of other statutory programs are paid by appropriated monies.

All retirement systems and benefit programs are operated on a calendar year, rather than the State's fiscal year basis. For this reason, all data shown for the Division are for the captioned

calendar year ending December 31, except for the Law Enforcement Officers' Benefit and Retirement Fund which will be converted to a calendar year basis on December 31, 1979.

ACTUARIAL VALUATION

The actuarial valuation is the tool used by an actuary to assess the funding progress of a retirement system and check the adequacy of the contribution rates which have been established to fund the system. An actuarial valuation is, in effect, an inventory of the assets and liabilities under a retirement system at a specific point in time. Information is collected covering all of the active members and all of the retired members and other beneficiaries who are receiving benefit payments. In this way, everyone who has been promised a benefit from the system is included in the actuarial calculations to determine the present value of the system's liabilities. These liabilities are then compared to the system's assets and calculations are made to determine whether the contribution rates will be adequate to fund the uncovered liabilities in the time period originally established. Annual valuations are made so as to permit gradual changes in the contribution level and/or funding period and keep the funding on a proper course. The annual valuation is used by the actuary to compare actual separation, compensation and investment experience with the actuarial assumptions used in the valuation of the liabilities of the system.

The assets of the actuarial valuation are divided into two categories: (1) Present Assets and (2) Prospective Contributions. The present assets of the fund are comprised of the following:

1. Regular Contribution Account or Annuity Savings Fund - This is the Account to which are credited the regular contributions made by the members (employees) of the System;
2. Accumulation Account or Pension Accumulation Fund - This is the account to which are credited the contributions made by the State (employer);
3. Special Contribution Account - Applicable only to the Law Enforcement Officers' Benefit and Retirement Fund and is the account to which are credited the special contributions made by the members and employers together with interest;
4. Separate Benefit Fund - Applicable only to the Law Enforcement Officers' Benefit and Retirement Fund and is the fund to which one-third of the income from court costs is credited and from which are paid the lump sum death benefits provided

under the Fund and the premiums on the group policy providing for accident and hospital benefits. The other two-thirds of the income from court costs are credited to the Accumulation Account.

The Prospective Contributions include:

1. The present value of future contributions by members to the Regular Contribution Account; and,
2. The present value of future contributions to the Accumulation Account. This account is comprised of normal contributions (present value of future normal contributions of present membership) and Accrued Liability Contributions (unfunded liability and balance after deducting future normal contributions).

The liabilities described in the actuarial valuation are self-explanatory. The liabilities include:

1. Present value of benefits provided by members' past and future contributions to the Regular Contribution Account;
2. Present value of benefits provided by members' and employers' contributions that have been accumulated to date in the Special Contribution Account. (Applicable only to the Law Enforcement Officers' Benefit and Retirement Fund);
3. Present value of retirement allowances payable from the Accumulation Account to retired members and beneficiaries;
4. Reserve available in the Separate Benefit Fund (LEO) and increases to retired members; and,
5. Present value of benefits to be paid by past and future contributions into the Accumulation Account.

The six Retirement Systems described in this report are being funded on a full actuarial reserve basis and use the entry age normal cost method as the actuarial cost approach. Under this entry age normal cost method, the normal contribution percentage rate is calculated on the basis of the adopted actuarial assumptions as the level percentage of the compensation of the average new member which if contributed throughout the entire period of active service would be sufficient, together with his contributions, to support all the benefits payable on his account. The accrued liability is the difference between total liabilities and the present value of future normal cost contributions and the members' future contributions.

FUNDING PROVISIONS

All retirement systems, except the Legislative Retirement Fund, are joint contributory defined benefit plans with contributions made by both employees and employers. Each active member contributes six percent (6%) of his compensation for creditable service by monthly payroll deduction. Employers make monthly contributions based on a percentage rate of the member's compensation for the month. Employer contribution rates are actuarially calculated on a level full funding basis using the entry age normal cost method.

FINANCIAL CONDITION

The financial condition and actuarial soundness of a retirement system can be judged on the basis of the accumulated assets, the actuarial assumptions, and the actuarial cost method used to arrive at the employer's rate of contribution. All retirement systems, except the Legislative Retirement Fund, are being funded on a full actuarial reserve basis using methods approved under the Employee Retirement Income Security Act of 1974 (ERISA) for the use of non-governmental employers. The consistent use over the years of proven actuarial assumptions and approved actuarial cost methods and the recognition of all promised benefits in the accrued liabilities, have resulted in retirement systems which are financially and actuarially sound.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA (STATE SYSTEM)

N.C.G.S. 135-1 through 135-18.5

The State System has the largest assets and membership of the retirement systems administered by the Division. The System provides benefits to all full-time teachers and State employees in all public school systems, universities, departments, institutions, and agencies of the State and is governed by a Board of Trustees with the State Treasurer serving as Chairman. The General Assembly enacted the Teachers' and State Employees' Retirement Act, that was effective on July 1, 1941, creating the Teachers' and State Employees' Retirement System of North Carolina.

This System began operations with a membership of 42,878 teachers and State employees and with appropriations from the State of \$1,838,000. The membership of the State System has grown over the

years in proportion to the growth in size and complexity of the public schools and the State government. The membership of the State System at December 31, 1978, was 265,458 and included 34,624 retired members and beneficiaries of deceased retired members and assets of \$2,961,202,159.

Benefit Payments -- Since the inception of the Retirement System, the amount of money paid to members in the form of retired benefits, withdrawal of contributions and death benefits have shown a dramatic increase. A graphical presentation of this increase is indicated by Exhibit A.

Statement of Fund Balances -- The Statement of Assets, Liabilities and Reserve Balances of the State System as they existed at December 31, 1978, and December 31, 1977, is shown in Exhibit B. A percentage distribution by type of the investments of the assets of the State System is shown on Chart 4.

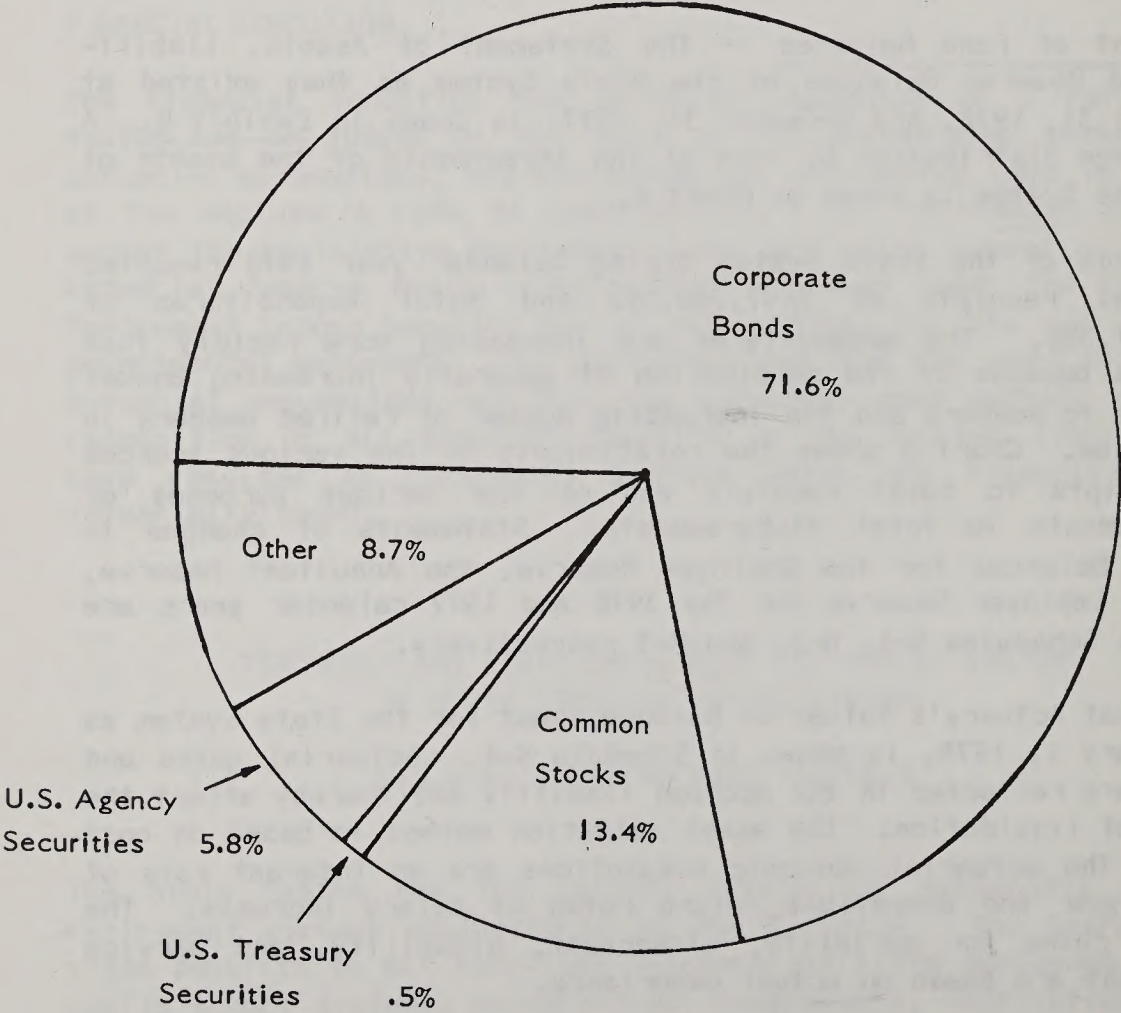
Operations of the State System during calendar year 1978 resulted in total receipts of \$497,760,092 and total expenditures of \$159,351,398. The expenditures are increasing more rapidly than receipts because of the combination of generally increasing annual benefits to members and the increasing number of retired members in the System. Chart 5 shows the relationship of the various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for the 1978 and 1977 calendar years are shown in Schedules B-1, B-2, and B-3 respectively.

The latest Actuary's Valuation Balance Sheet for the State System as of January 1, 1978, is shown in Schedule B-4. Actuarial gains and losses are reflected in the accrued liability and thereby affect the period of liquidation. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, disability, and service retirement are based on actual experience.

Based on the latest actuary's report, the Board of Trustees has set the employer contribution rate at 9.12 percent of covered payroll. On this basis, the total employee and employer rate of contribution is adequate to fund all future benefits presently authorized based on current service and to fund, over 24 years from January 1, 1978, the remaining accrued liability for past service.

DISTRIBUTION OF INVESTMENTS - December 31, 1978
State System

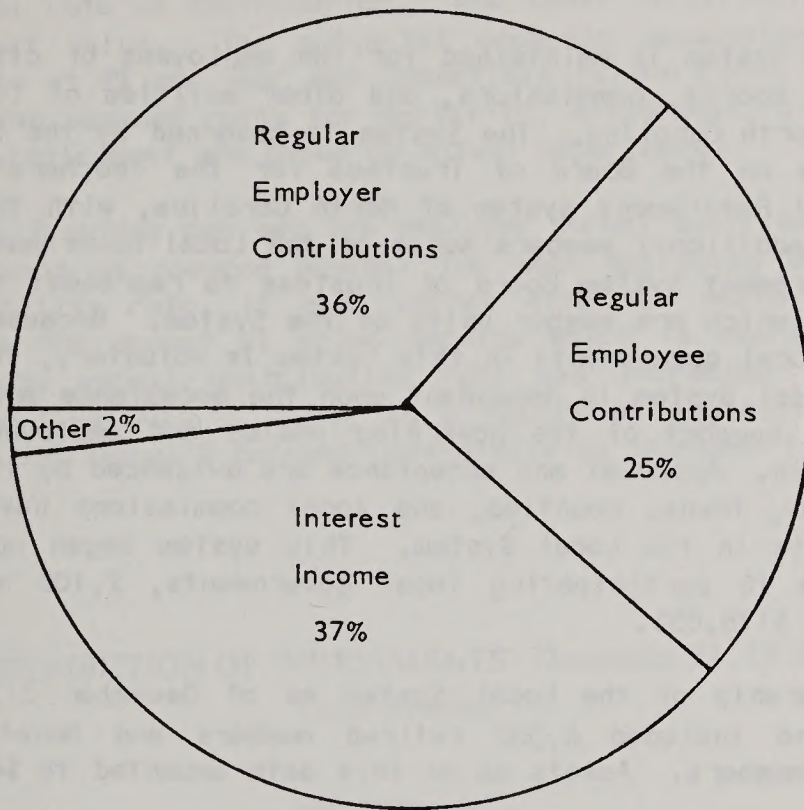
Chart 4



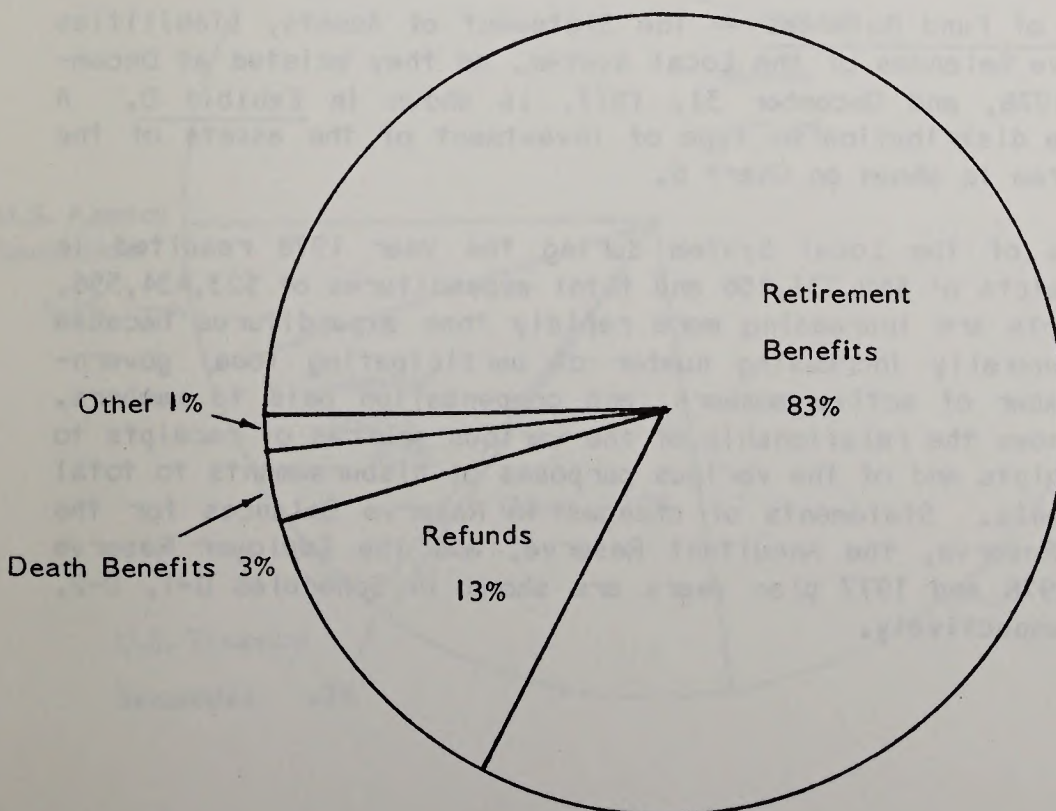
RECEIPTS AND DISBURSEMENTS - 1978

State System

RECEIPTS



DISBURSEMENTS



NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM (LOCAL SYSTEM)

N.C.G.S. 128-21 through 128-38

The Local System is maintained for the employees of cities, towns, counties, boards, commissions, and other entities of local government in North Carolina. The System is governed by the same members who serve on the Board of Trustees for the Teachers' and State Employees' Retirement System of North Carolina, with the exception that two additional members serve on the Local Governmental Employees' Retirement System Board of Trustees to represent the counties and towns which are member units of the System. Because participation of local governments in this System is voluntary, the operation of the Local System is dependent upon the acceptance and continuing financial support of the governing bodies and employees of local governments. Approval and acceptance are evidenced by the fact that 540 cities, towns, counties, and local commissions have chosen to participate in the Local System. This system began operations in 1945 with 18 participating local governments, 2,102 members, and assets of \$178,053.

The membership of the Local System as of December 31, 1978, was 65,243 and included 6,302 retired members and beneficiaries of deceased members. Assets as of this date amounted to \$459,174,630.

Benefit Payments -- As with the State System, payments made to members and beneficiaries in the Local System has reflected a vast increase over the years since the system was established on July 1, 1945. A graphical presentation of this increase is shown on Exhibit C.

Statement of Fund Balances -- The Statement of Assets, Liabilities and Reserve Balances of the Local System, as they existed at December 31, 1978, and December 31, 1977, is shown in Exhibit D. A percentage distribution by type of investment of the assets of the Local System is shown on Chart 6.

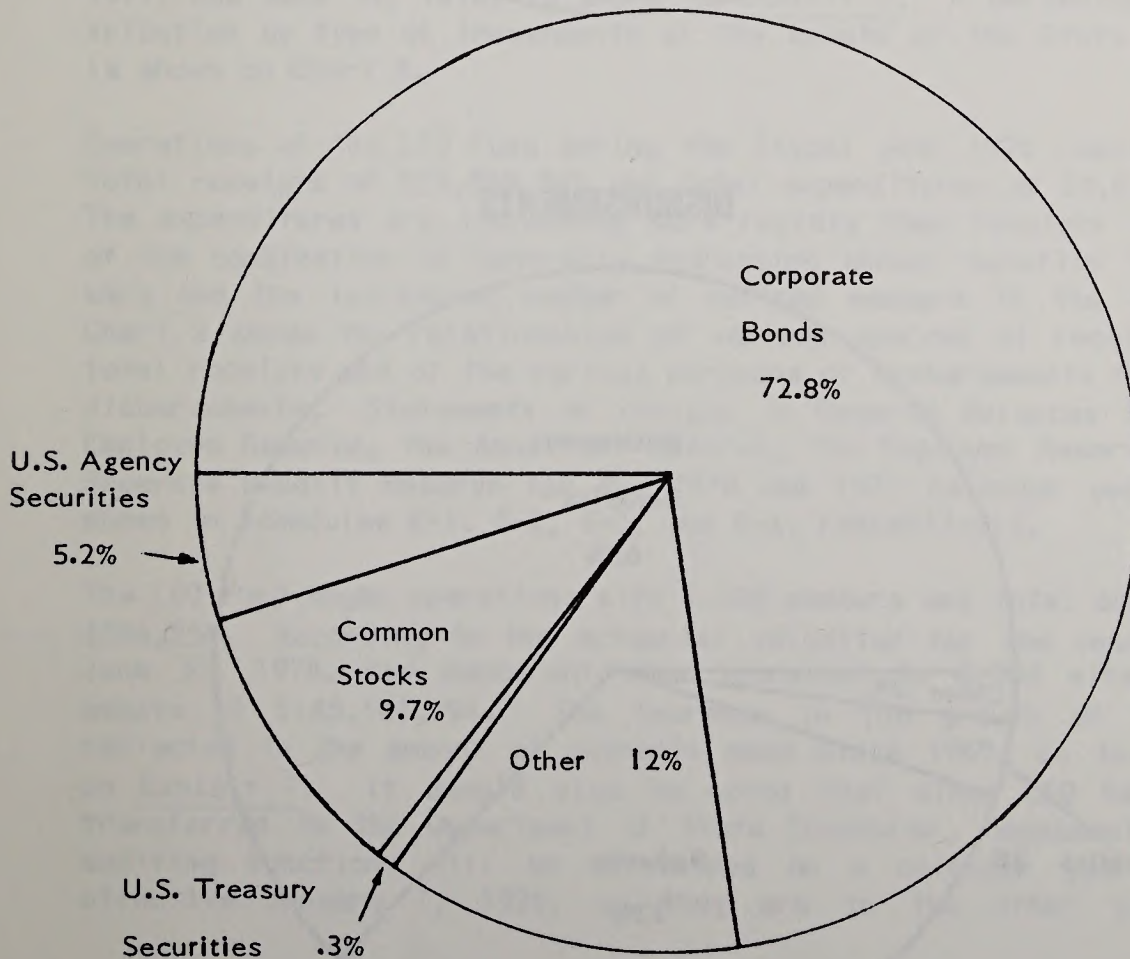
Operations of the Local System during the year 1978 resulted in total receipts of \$59,731,156 and total expenditures of \$23,454,556. The receipts are increasing more rapidly than expenditures because of the generally increasing number of participating local governments, number of active members, and compensation paid to members. Chart 7 shows the relationship of the various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for the 1978 and 1977 plan years are shown in Schedules D-1, D-2, and D-3 respectively.

The latest Actuary's Valuation Balance Sheet for the Local System, as of January 1, 1978, is shown in Schedule D-4. The valuation utilizes a frozen accrued liability with gains and losses reflected in the normal rate of contribution. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, disability, and service retirement are based on actual experience.

The Board of Trustees has set the employer normal contribution rate at 4.07 percent of covered payroll for each employing unit. The accrued liability rate, if any, varies with the employing units depending on the amount of prior service which is awarded to the members. The normal contribution rate was increased from 4.00 percent effective July 1, 1979, as a result of legislation which provided an additional 2 percent cost-of-living increase for retired members.

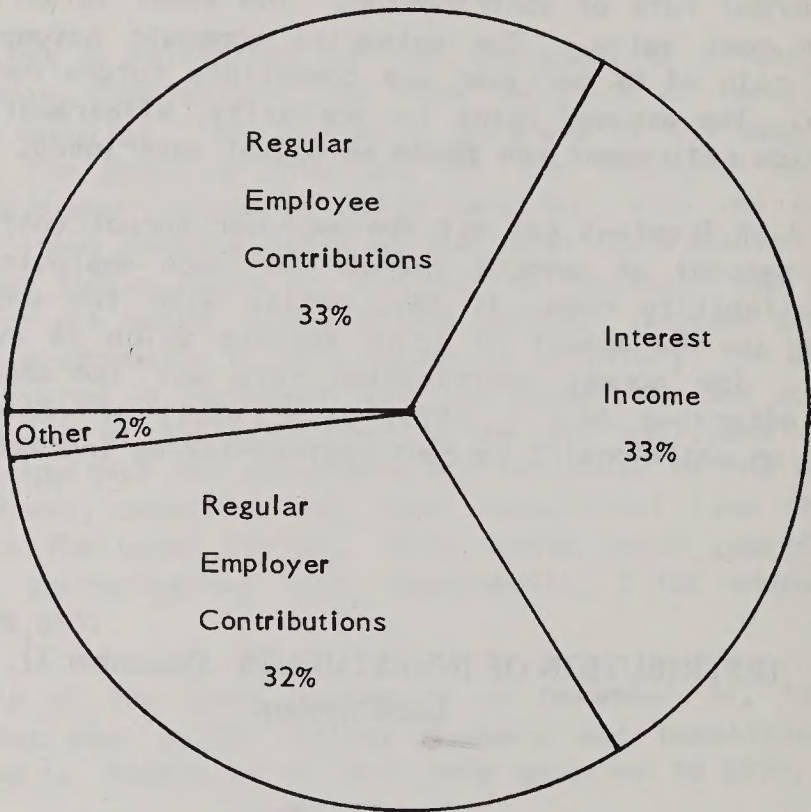
Chart 6

DISTRIBUTION OF INVESTMENTS - December 31, 1978
Local System

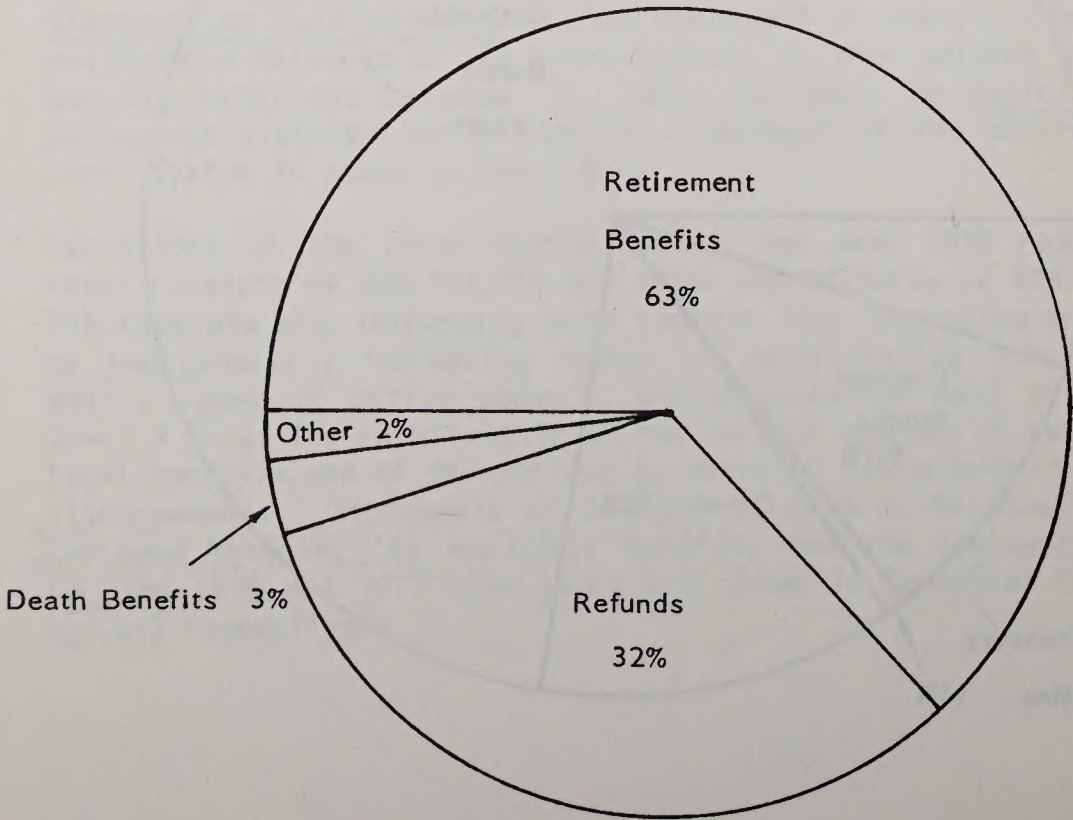


RECEIPTS AND DISBURSEMENTS - 1978
Local System

RECEIPTS



DISBURSEMENTS



THE LAW ENFORCEMENT OFFICERS' BENEFIT AND
RETIREMENT FUND (LEO)

N.C.G.S. 143-166

The Law Enforcement Officers' Benefit and Retirement Fund (LEO) was established on July 1, 1940; however, it did not come under the jurisdiction of the Department of State Treasurer until July 1, 1978, when the North Carolina General Assembly enacted legislation to transfer it from the Department of State Auditor. The Fund is maintained for full-time and permanent employees of the State of North Carolina or any political subdivision thereof, who serve as law enforcement officers, clothed with the power of arrest, and whose primary duty is that of enforcing on the public property the criminal laws of the State or serving civil processes. While the benefit structure of the Fund is very similar to the other Retirement Systems administered by the Department of State Treasurer, it is governed by a Board of Commissioners rather than the Boards of Trustees which govern the other Systems. The State Treasurer also serves as chairman of this Board.

Statement of Fund Balances -- The Statement of Assets, Liabilities and Reserve Balances of the LEO Fund as they existed on June 30, 1977, and June 30, 1978, is shown in Exhibit E. A percentage distribution by type of investments of the assets of the State System is shown on Chart 8.

Operations of the LEO Fund during the fiscal year 1978 resulted in total receipts of \$27,988,265 and total expenditures of \$5,694,841. The expenditures are increasing more rapidly than receipts because of the combination of generally increasing annual benefits to members and the increasing number of retired members in the System. Chart 9 shows the relationships of various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, the Employer Reserve, and Separate Benefit Reserve for the 1978 and 1977 calendar years are shown in Schedules E-1, E-2, E-3, and E-4, respectively.

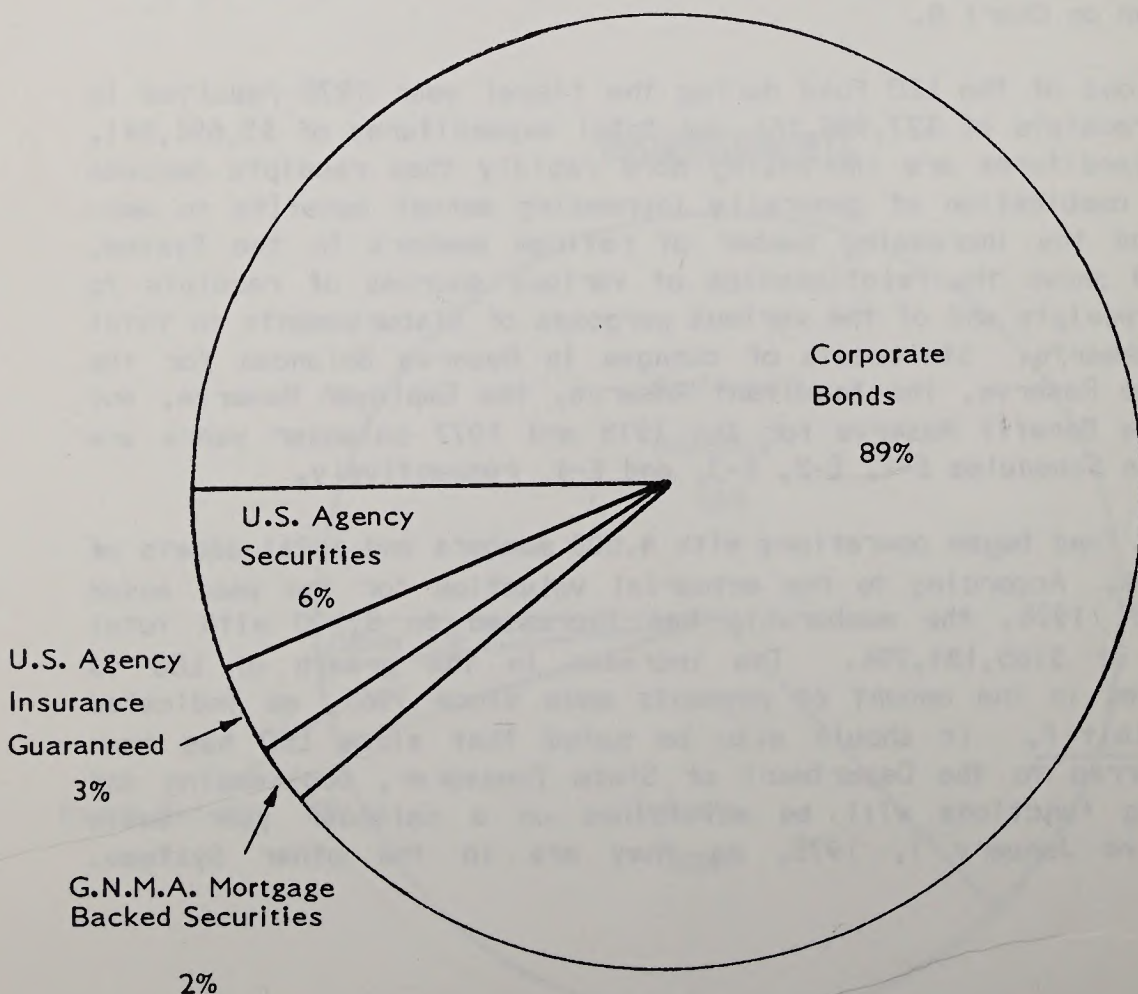
The LEO Fund began operations with 4,000 members and total assets of \$398,254. According to the actuarial valuation for the year ended June 30, 1978, the membership has increased to 8,700 with total assets of \$165,181,794. The increase in the growth of LEO is reflected in the amount of payments made since 1965, as indicated on Exhibit F. It should also be noted that since LEO has been transferred to the Department of State Treasurer, bookkeeping and auditing functions will be maintained on a calendar year basis effective January 1, 1979, as they are in the other Systems.

The latest Actuary's Valuation Balance Sheet for the LEO Fund as of June 30, 1978, is shown in Schedule E-5. Actuarial gains and losses are reflected in the accrued liability and thereby affect the period of liquidation. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, and service retirement are based on actual experience.

Based on the actuary's report and subsequent action of the 1979 Session of the General Assembly, the Board of Commissioners set the employer contribution rate at 5.39% of covered payroll, reduced by receipts from court costs estimated at the rate of 1.59%, for a net employer contribution of 3.80% of covered payroll payable by the State and its political subdivisions. On this basis, the total employee and employer rate of contribution is adequate to fund all future benefits based on current service and to fund, over 25-1/2 years from June 30, 1978, the remaining accrued liability.

Chart 8

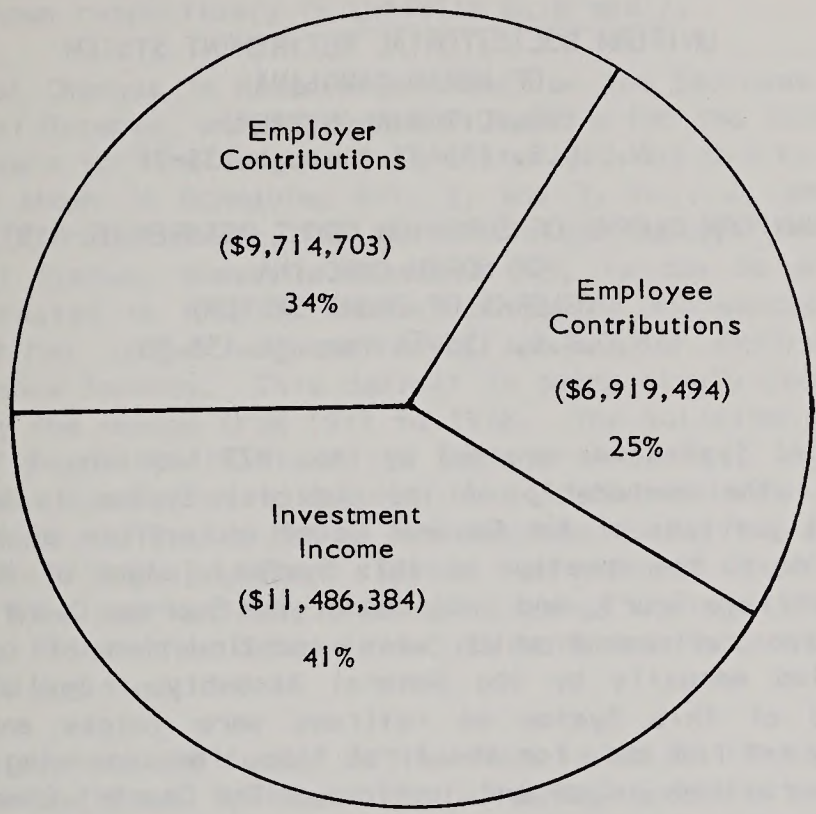
DISTRIBUTION OF INVESTMENTS - December 31, 1978
LEO Fund



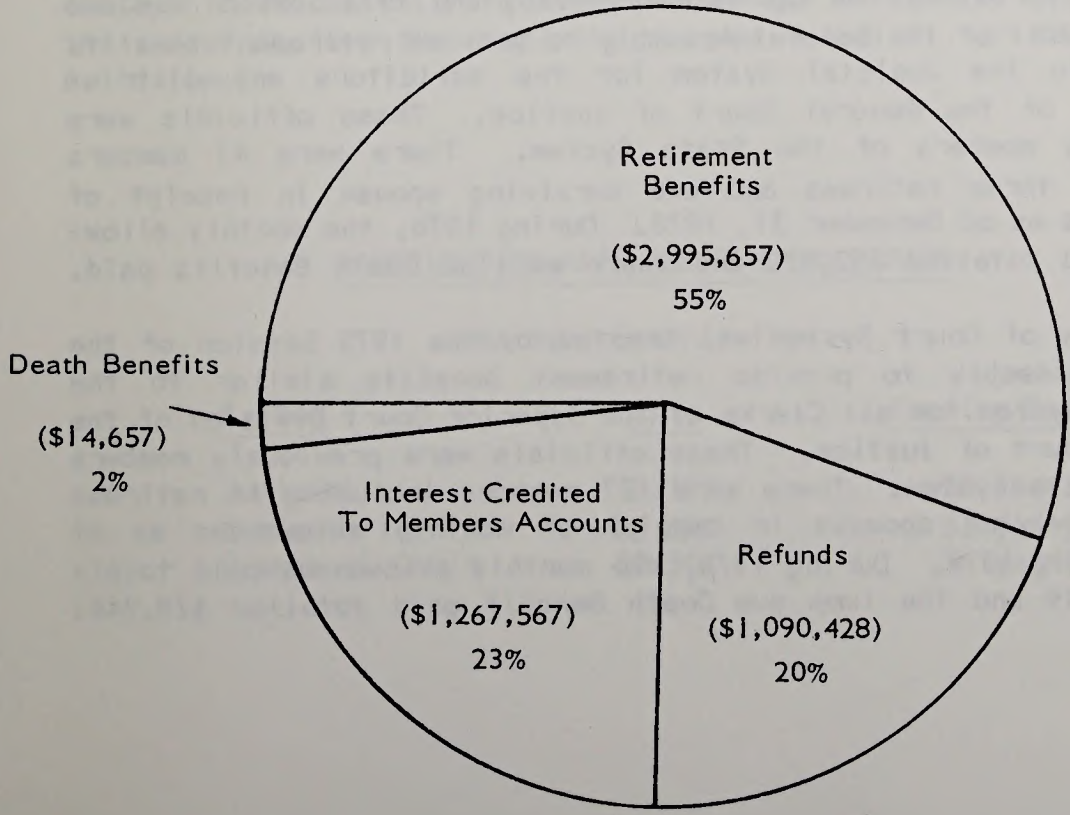
LAW ENFORCEMENT OFFICERS' BENEFIT AND
RETIREMENT FUND
Year Ended June 30, 1978

Chart 9

INCOME AND RECEIPTS



DISBURSEMENTS AND TRANSFERS



UNIFORM JUDICIAL RETIREMENT SYSTEM OF NORTH CAROLINA
(JUDICIAL SYSTEM)
N.C.G.S. 135-50 through 135-71

UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
(SOLICITORIAL SYSTEM)
N.C.G.S. 135-77 through 135-78

UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA
(CLERKS OF COURT SYSTEM)
N.C.G.S. 135-84 through 135-85

The Judicial System was created by the 1973 Session of the General Assembly. The membership of the Judicial System is composed of judges and justices of the General Court of Justice of North Carolina. Prior to the creation of this System, judges of the Superior Court, Appellate Court, and justices of the Supreme Court received a pension upon retirement which was a continuation of compensation appropriated annually by the General Assembly. Included in the membership of this System as retirees were judges and justices previously retired and, for the first time, the surviving spouses of previously retired judges and justices. The Courts' Commission was responsible for the design of the benefit structure and funding provisions of the Judicial System. There were 303 members including retirees and 28 surviving spouses in receipt of allowances as of December 31, 1978. During 1978, the monthly allowances paid totalled \$929,143 and Death Benefits paid amounted to \$28,372.

The Solicitorial System was established by the 1973 Session (Second Session 1974) of the General Assembly to provide retirement benefits similar to the Judicial System for the solicitors and district attorneys of the General Court of Justice. These officials were previously members of the State System. There were 41 members including three retirees and one surviving spouse in receipt of allowances as of December 31, 1978. During 1978, the monthly allowances paid totalled \$52,922 and there were no Death Benefits paid.

The Clerks of Court System was created by the 1975 Session of the General Assembly to provide retirement benefits similar to the Judicial System for all Clerks of the Superior Court Division of the General Court of Justice. These officials were previously members of the State System. There were 127 members including 14 retirees and 5 surviving spouses in receipt of monthly allowances as of December 31, 1978. During 1978, the monthly allowances paid totalled \$93,549 and the lump sum Death Benefit paid totalled \$20,244.

Statement of Fund Balances -- The Statements of Assets, Liabilities and Reserve Balances of the Judicial, Solicitorial, and Clerks of Court System, as they existed at December 31, 1978, and December 31, 1977, are shown respectively in Exhibits G, H and I.

Statements of Changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for the 1978 and the 1977 plan years for the Judicial, Solicitorial, and Clerks of Court Systems are shown in Schedules G-1, 2, and 3, H-1, 2, and 3, and I-1, 2, and 3, respectively. The deficit in the Employer Reserves in the Judicial System, shown in Schedule G-3, is due to an initial liability created in 1973 on account of paying allowances to previously retired judges and surviving spouses of retired judges without advance funding. This deficit is being slowly decreased as evidenced by the change from 1977 to 1978. The Solicitorial System experienced a gain in 1978 and its Employer Reserves, as shown in Schedule H-3, moved from a deficit to a credit balance position. This is because the System had no new retirees during the accounting period. The Clerks of Court System had adverse experience on account of more new retirees than anticipated during 1978 causing the Employer Reserves in Schedule I-3 to move from a credit balance to a deficit position.

These three systems are funded on the same level full funding basis as the State and Local Systems. The actuarial economic assumptions are an interest rate of 5% per year and compatible future rates of salary increase. The latest Actuary's Valuation Balance Sheet, as of December 31, 1978, for the Judicial, Solicitorial, and Clerks of Court Systems are shown in Schedules G-4, H-4 and I-4, respectively.

Based on the actuary's report, the Board of Trustees set the employer contribution rate at a percentage of covered payroll and the period to fund the remaining accrued liability for each system as follows:

Chart 10

CONTRIBUTION RATE AND FUNDING PERIOD

Employer Contribution

<u>System</u>	<u>Rate</u>	<u>Funding Period</u>
Judicial	30.35%	34 years
Solicitorial	23.69%	33 years
Clerks of Court	28.30%	34 years

LEGISLATIVE RETIREMENT FUND
(FUND)

N.C.G.S. 120-4.1 through 120-4.2

The Fund was created by the 1969 Session of the General Assembly as a retirement plan for members and elected officers of the North Carolina General Assembly. The Fund was abolished, prospectively, by the 1973 Session (Second Session 1974). The abolishing Act preserved the vested and inchoate rights of the members in the Fund so that all members and former members of the General Assembly who had qualified by virtue of service as of 1974 are still in receipt of monthly allowances or may apply for and receive monthly allowances at age 65. There were 61 former members and officers of the General Assembly in receipt of allowances with a cost in the year ended December 31, 1978, of some \$98,400. This cost is funded by a contribution of 5% of compensation paid by members at retirement and an annual general fund appropriation made to the General Assembly.

The Fund is not operated as a retirement fund, but as a governmental general type fund. The Statement of Assets, Liabilities and Fund Balances as they existed on December 31, 1978, and December 31, 1977, is shown in Exhibit J. The Statement of Changes in the Fund Balance for the years ended 1978 and 1977 is shown in Schedule J-1.

HEALTH BENEFITS PROGRAM FOR TEACHERS AND
STATE EMPLOYEES

(HEALTH PROGRAM)

N.C.G.S. 135-35 through 135-36

The Health Program was created by the 1971 Session of the General Assembly to provide a two-part program consisting of hospital and medical care benefits and disability salary continuation benefits.

Hospital and medical care benefits have been provided by contract with Blue Cross and Blue Shield of North Carolina since July 1, 1972. Eligible subscribers (i) include all permanent and full-time teachers and State employees, and (ii) retired teachers, State employees and their surviving spouses. The contract for hospital and medical care benefits is determined by the Board of Trustees by a process of competitive proposals and negotiations. The individual subscriber cost for active teachers and State employees

is currently fully funded by the employer as provided by General Assembly appropriations bills. Dependent coverage is available at an additional cost to the individual. The carrier premiums are paid to and claims handled by the carrier.

State funding for the individual cost of retired teachers, State employees and their surviving spouses was provided for the first time, beginning October 1, 1978, by appropriations from the General Fund by the General Assembly. This action caused the number of retired subscribers to approximately double and the premiums paid to increase, as reflected in the following statistical charts.

The composition of the health and medical care benefits coverage group as of the last quarter in the calendar years ended 1978 and 1977 was as follows:

Chart 11

BENEFITS MEMBERSHIP

	<u>1978</u>	<u>1977</u>
Number of Employees	189,073	178,740
Number of Employee Dependents	214,834	209,568
Number of Retirees	32,376	16,836
Number of Retiree Dependents	<u>21,820</u>	<u>14,513</u>
Total Covered	458,103	419,657

Premiums paid to the carrier and claims paid to subscribers by the carrier during the calendar years 1978 and 1977 were as follows:

Chart 12

PREMIUMS AND CLAIMS PAID

	<u>1978</u>	<u>1977</u>
Premiums	\$90,591,062	\$75,307,022
Claims Paid	\$78,590,107	\$65,524,105

Disability salary continuation benefits are self-insured and administered by the Division. The North Carolina Employee Disability Fund was established to guarantee these benefits and was funded for

a period of three years, from July 1, 1972, to June 30, 1975, at the rate of \$3.00 per month per employee paid by the employers. In 1975, the General Assembly suspended the employer contribution. Since that time, benefits have continued to be paid from the investment earnings and accumulated reserves. In 1977, for the first time, the benefit payments exceeded the investment earnings and the difference was paid from the accumulated reserves. According to actuarial projections, the reserves against future employer contributions will be exhausted in the last half of the calendar year 1980.

The Statement of Assets, Liabilities and Reserve Balances of the North Carolina Employee Disability Fund as they existed on December 31, 1978 and 1977, is shown in Exhibit K with the Statements of Changes in the Annuitant and Employer Reserves for the same periods shown in Schedules K-1 and K-2. The Actuary's Valuation Balance Sheet as of the year ended December 31, 1978, is shown in Schedule K-3.

Shown below are certain facts relating to the number of disabled members, number of new claims during the year, the claims closed during the year, investment earnings, and amount of benefit payments during the calendar years ended 1978 and 1977.

Chart 13

SELECTED STATISTICS

	<u>1978</u>	<u>1977</u>
Number of Disabled Members	932	899
New Claims During the Year	669	1,169
Claims Closed During the Year	557	1,012
Investment Earnings	\$1,205,802	\$1,197,581
Amount of Benefit Payments	\$1,647,096	\$1,775,613

PUBLIC EMPLOYEES' SOCIAL SECURITY AGENCY
(SOCIAL SECURITY AGENCY)

N.C.G.S. 135-19 through 135-26

The Social Security Agency administers the State's responsibility under the Social Security Agreement between the State of North Carolina and the Secretary of Health, Education, and Welfare. This Agreement was entered into on July 16, 1951. This Agreement was executed pursuant to authority in Section 218 of the Federal Social Security Act and Article 2, Chapter 135 of the General Statutes of North Carolina.

The provisions of the Agreement require the Social Security Agency to provide the mechanics of coverage for the State and its qualified political subdivisions, to collect and transmit employee and employer contributions, and to act as liaison between the State and the Social Security Administration.

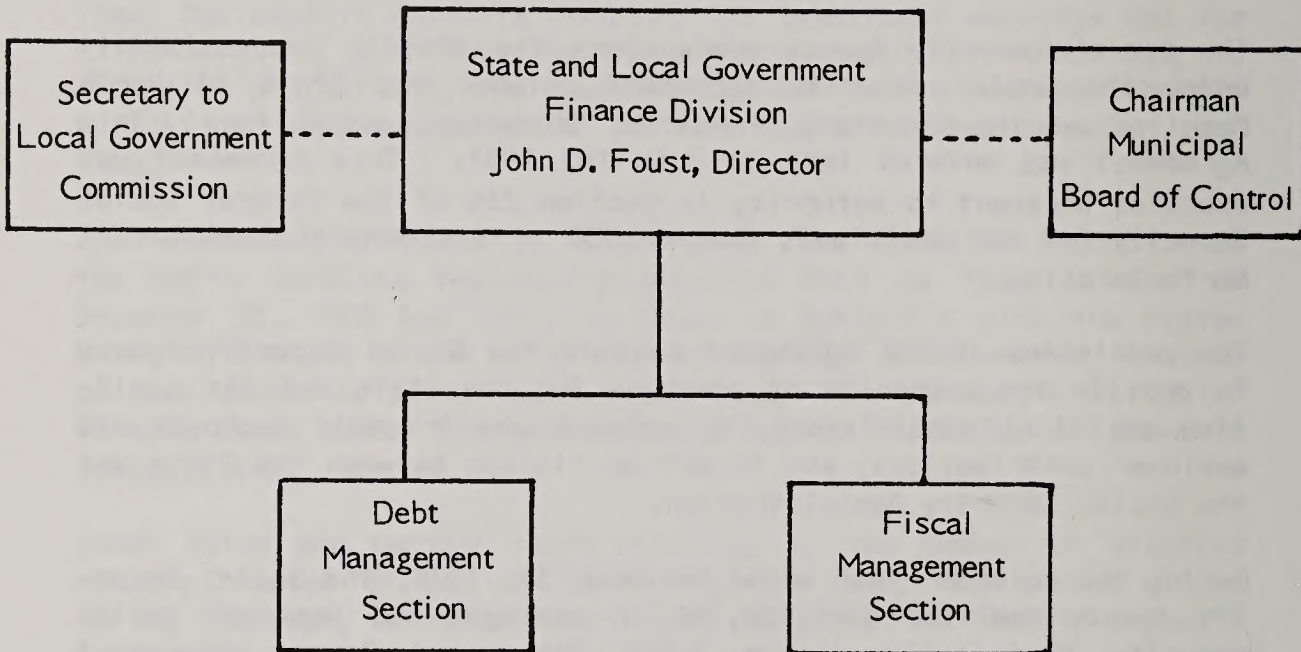
During the calendar year ended December 31, 1978, the Social Security Agency remitted \$351,459,764 in employee and employer social security contributions from 1,268 State and local government coverage units for more than 347,000 public employees in North Carolina.

The Statement of Assets and Liabilities and the Statement of Receipts and Disbursements of the Social Security Agency for the year ended December 31, 1978, are shown in Exhibit L and Schedule L-1 respectively.

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Chart 14

ORGANIZATION



The State and Local Government Finance Division was organized to provide the State Treasurer with staff assistance in such areas as he requests and to provide the staff required by the Local Government Commission to fulfill its statutory functions. To provide these services, the Division is organized along functional lines to provide two major groups of services: Debt Management and Fiscal Management. In addition, the Deputy Treasurer-Division Director serves as the Secretary of the Local Government Commission.

Highlights of activity for the year were the sale of \$110 million of bonds for the State, \$131 million of bonds and notes for local governmental units and \$739 million of special obligation bonds. Included in the special obligation bonds were \$550 million for Power Agency No. 1 of which the first \$400 million issue was the largest tax-exempt issue ever sold in the State and one of the largest single issues ever sold nationwide. Among the other major accomplishments were technical assistance to the State Treasurer in converting single ownership investment accounts to multiple ownership investment pools on July 1, 1979, the beginning of the fiscal year, and the preparation of continuing professional education courses for independent auditors of governmental units. (See Exhibit M and accompanying schedules for details on bonds outstanding, authorized but unissued and future general obligation debt service requirements.)

ASSISTANCE TO STATE AGENCIES

Debt Management -- The State Treasurer is responsible for the issuance and servicing of all State debt secured by a pledge of the taxing power of the State. After approval of the bond issue, the Division assists in determining the cash needs and most appropriate time for scheduling sales after consultation with other State agencies; the planning for repayment of the debt (maturity schedules); preparing, with the advice and cooperation of bond counsel and the assistance of other State agencies, the Official Statement describing the bond issue and other required disclosures about the State; and in the actual sale and delivery of the bonds. The staff of the Division maintains the State bond records and Register of Bonds and initiates the debt service payments when they become due.

In addition, the Division is responsible for the issuance of revenue bonds for the North Carolina Medical Care Commission and the North Carolina Housing Finance Agency (Chart 15). These bonds are secured only by the specific revenues pledged in payment thereof. The staff works with the Agency personnel in scheduling the offering, structuring the issue and underlying security documents and in preparing the data which must be presented to the Local Government Commission for its approval of the sale.

Chart 15

PURPOSES FOR WHICH LOCAL GOVERNMENTS SOLD BONDS AND NOTES

Fiscal Year 1978 -79

(In Millions of Dollars)

G. O. Bonds	Schools	Utilities	Other	Total	
				No.	Amt.
Counties	25.5	10.2	13.4	15	\$ 49.1
Cities and towns		28.0	7.3	35	35.3
Special districts		.1			.1
Total G. O. Bonds	25.5	28.3	20.7	51	84.5
Notes					
Bond Anticipation				71	45.8
Grant Anticipation				1	.8
Total Notes				72	46.6
Total Bonds and Notes				123	\$131.1

The Division assists the State Treasurer in representing the State in all presentations to Moody's Investor Service, Inc., and Standard and Poor's Corporation, the two national bond rating agencies used by the State and local governmental units in North Carolina. As a result of the efforts of the State Treasurer, North Carolina continues to have a triple-A rating, the highest rating given by these agencies to State and local government debt obligation. This high rating has enabled the State to sell its bonds at an interest rate below the Bond Buyer's Index, thereby providing savings to the taxpayers. The estimated saving in this fiscal year was \$12,107,300.

At June 30, 1979, authorized and unissued general obligation bonds for the State amounted to \$453,267,000 and general obligation bonds outstanding amounted to \$734,400,000. See Exhibit M and accompanying schedules for details.

Fiscal Management -- Several matters of a technical nature were completed by the Division. A study was made of Departmental budgeting and accounting in order to better identify the expenditures on a functional basis. The functional basis is considered a better means of identifying the costs which should be borne by the special funds rather than by the State General Fund appropriation. Assistance was provided to the Investment and Banking Division of the Department to increase the cost-effectiveness of investment accounting by pooling the separate investment accounts into three mutually-owned investment pools. Work continued with representatives of the State Auditor's office and the other 49 states in preparing "accounting principles" suitable for state governments which would result in financial statements useful to the citizen taxpayers, the creditors and the legislative body of a state.

ASSISTANCE TO LOCAL GOVERNMENTS

Assistance is rendered to local governments and public authorities in North Carolina on behalf of both the Local Government Commission and the Municipal Board of Control.

The North Carolina Local Government Commission, a part of the Department of State Treasurer, approves the issuance of the indebtedness of all units of local government and assists these units in the area of fiscal management. The Commission is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the Lieutenant Governor, and one by the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

The Municipal Board of Control is a statutory agency composed of the Secretary of the Commission, who serves as Chairman. Also on the Board are the Chairmen of the Senate and House Committees on Local Government (both serving as ex officio members), and two elected officials appointed by the Governor, one from a county and the other from a municipality. The Board has the power under Article 1A of Chapter 160A of the General Statutes to issue corporate charters to new municipalities which apply and qualify under the statute. No action was requested of this Board during the current year.

Debt Management -- A major function is the approval, sale and delivery of all North Carolina local government bonds and notes upon the recommendation of the staff of the Division. Before any unit can incur debt, the proposed issue must be approved by the Commission. The statutes require that, before giving its approval, the Commission must make affirmative determination in the areas of necessity and expediency, size of the issue, the unit's debt management policy, taxes needed to service the debt and the ability of the unit to repay.

The Division staff works with the local governmental units before the application for approval is submitted. The staff counsels and assists the units on the structure of the financing, the fiscal policies of the unit and the most appropriate timing for sales. The structure is concerned with the necessity of the project, the reasonableness of the size of the project and the most expedient forms of financing the project. Fiscal policies considered are debt management policies, the effect of financing on tax rates and the unit's record of compliance with the Local Government Budget and Fiscal Control Act. Timing includes when the money will actually be needed, anticipated interest rates and when the bonds can be sold with a minimum of competition. The staff strives to resolve all problems before applications are presented to the Commission. When the Commission receives the application for its formal action, the Staff has, to the extent possible, corrected or otherwise resolved any problems and the application, as presented, will demonstrate that the statutory requirements have been met.

General obligation bond issues are generally sold by competitive bids submitted to State Treasurer's office in Raleigh. In the process of selling the bonds, the staff assists the governmental unit and its bond counsel to prepare the necessary data for the Official Statement. After the Official Statement has been prepared and printed, it is then mailed to a large group of buyers nationwide. The bonds are normally serial bonds and are awarded on the basis of total net interest cost to the governmental unit. After the sale, the staff delivers and validates the definitive bonds and

makes certain that the monies are promptly transferred from the buying brokers to the governmental unit.

In addition to its sales of bonds, the staff assists the units to sell certain short-term debt obligations: bond anticipation notes to provide interim funding of projects until the definitive bonds are sold based on the original Commission approval of the bond issue; and other notes secured by specific pledges of taxes, grants or other revenues to be collected in the future, based upon specific Commission approval for each such issue. Records are maintained for all units of all principal and interest payments coming due in the current and future years. Through a system of monthly reports the payment by the units of their debt service is monitored. During 1978-79, bonds and notes were sold in the amount of \$131,144,000. This is more fully described in Chart 15.

Chart 16

DEBT MANAGEMENT ACTIVITIES
(In Millions of Dollars)

	<u>FY 1976 - 77</u>		<u>FY 1977 - 78</u>		<u>FY 1978 - 79</u>	
	<u>No.</u>	<u>Amt.</u>	<u>No.</u>	<u>Amt.</u>	<u>No.</u>	<u>Amt.</u>
Bonds sold for State						
General Fund	2	\$ 13.0		\$	1	\$ 50.0
Highway Fund			1	60.0	1	60.0
Total	<u>2</u>	<u>130.0</u>	<u>1</u>	<u>60.0</u>	<u>2</u>	<u>110.0</u>
Bonds & Notes Sold For Local						
Governmental Units:						
General Obligation						
Bonds	53	135.6	54	130.5	51	84.5
Revenue Bonds	2	52.2	2	4.3		
Notes	<u>35</u>	<u>41.0</u>	<u>47</u>	<u>46.3</u>	<u>71</u>	<u>46.6</u>
Total	<u>90.</u>	<u>228.8</u>	<u>103</u>	<u>181.1</u>	<u>122</u>	<u>131.1</u>
Special Obligation Bonds Sold						
for Medical Care						
Commission :			4	137.0	5	60.6
Sold for Housing Finance						
Agency	1	16.2			1	37.3
Sold for Power Agencies					2	550.0
Sold for Industrial Facility						
and Pollution Control:						
Authorities	<u>3</u>	<u>4.6</u>	<u>20</u>	<u>54.0</u>	<u>37</u>	<u>91.4</u>
Total Special						
Obligation Bonds	<u>4</u>	<u>20.8</u>	<u>24</u>	<u>191.1</u>	<u>45</u>	<u>739.3</u>
Grand Total	<u>96</u>	<u>\$379.6</u>	<u>108</u>	<u>\$432.2</u>	<u>169</u>	<u>\$980.4</u>

The Division staff is also responsible for overseeing the sale of revenue bonds which must have Commission approval to be issued; for example, municipalities, joint municipal electric power agencies, county industrial facilities and pollution control financing authorities (Chart 16). These bonds are also secured only by specific revenues pledged in payment thereof.

Fiscal Management -- A second key function is monitoring certain fiscal and accounting standards prescribed for the units by The Local Government Budget and Fiscal Control Act. In addition, the Division furnishes, upon request, on-site assistance to local governments concerning existing financial and accounting systems as well as aid in establishing new systems.

As a part of its role in assisting and monitoring the fiscal programs of local units, the Division attempts to ensure that the local units follow generally accepted accounting principles, systems and practices. The Division's staff counsels the units in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the staff in order to accomplish these tasks. The monitoring of the units' financial system is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit. As of this date, no audit contract to be performed by an accountant other than an independent certified public accountant has been approved.

Several significant projects were completed during the past fiscal year. The project to develop accounting procedures and audit programs for school administrative units was begun in 1976. During this year, certain basic procedures for the Uniform Accounting System for School Administrative Units were completed and presented to the State Board of Education for review. The Department of Public Instruction was provided assistance in the redesign of the accounting system to be used by local school administrative units in the school food service operations.

Continued assistance was provided to the independent auditors, particularly in the area of professional education. Four continuing professional education courses in governmental and school accounting were prepared and were presented several times to independent

auditors through the auspices of their State association. These courses had a total of over 300 participants. In addition, a publication was issued containing samples of the most common footnotes found in audited financial statements for North Carolina local governments in order to assist the auditor in the preparation of necessary footnotes. Audit aids issued during the year included checklists for workpaper and financial statement review for auditors with governmental clients.

In keeping with prior years, special memoranda were issued. The subjects addressed were revenue sharing audits, management letters and statistical information based on semiannual reports required by the General Statutes. A major change during the year was the institution of the publication series, Technical Memoranda, which are typically lengthy and technical and usually remain current for many years.

The program for the in-depth analysis of the annual financial statement was increased in scope. Numerous letters were written to auditors and to the governmental units to assist the units in improving their fiscal performance and financial reporting. Chart 17 shows a comparison of fiscal management activities for 1978-79 to the activities of the prior two years.

The State and Local Finance Division is continuously working in all areas concerning improved fiscal management and clarity of reporting in order to better serve the State Treasurer, the local units of governments, public authorities, school administrative units and their independent auditors.

Chart 17

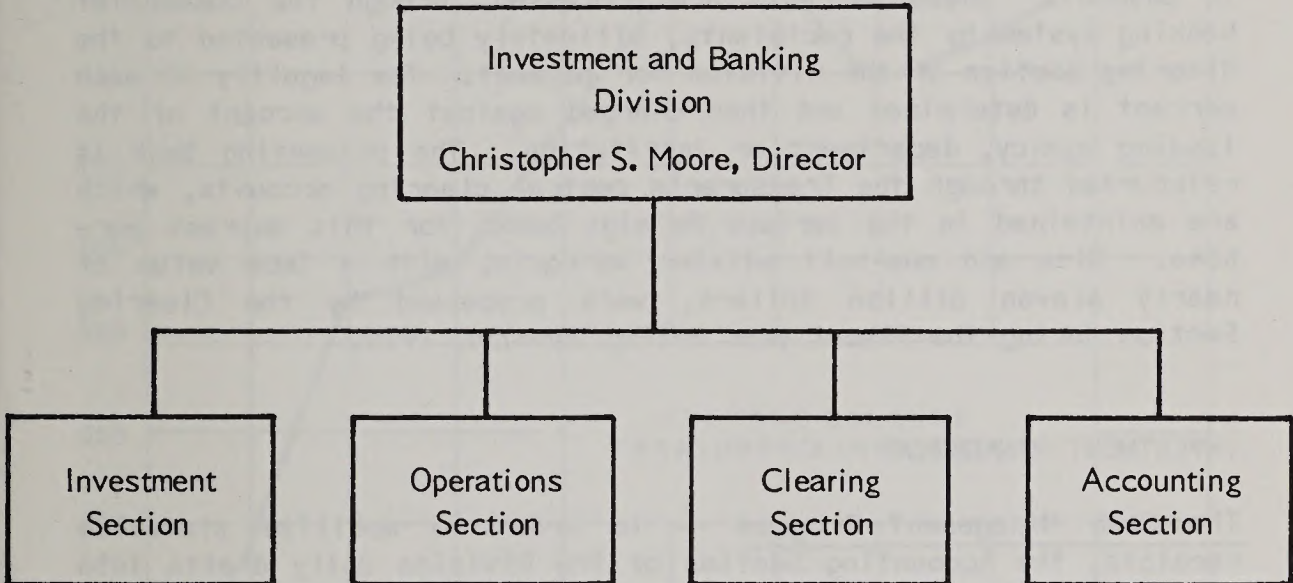
FISCAL MANAGEMENT ACITIVITY MEASURES

	<u>During Fiscal Years</u>		
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
Visits to Units	170	106	113
Audit reports:			
Received	822	826	850
Reviewed in-depth	275	300	650
Seminars and workshop participation	18	26	27
Special publications and memoranda	25	18	21
Uniform accounting procedures and reporting formats developed	1	-0-	5
Special projects	- 0 -	1	5

INVESTMENT AND BANKING DIVISION

Chart 18

ORGANIZATION



OVERVIEW

Purpose and Function -- The Investment and Banking Division is organized to carry out three of the State Treasurer's primary functions. The first of these is acting as the State's banker in receiving and disbursing all State monies. The second is acting as the custodian of and investment officer for all State funds. The third is making prompt payment of the principal and interest on the State's general obligation debt as it matures. These functions are both constitutional and statutory in origin.

STATE BANKER

Receiving State Monies -- The General Assembly of North Carolina has provided the State with a centralized system for receiving and disbursing State monies. Under this system, all revenues collected by an agency, department or institution on behalf of the State must be deposited daily to the account of the State Treasurer, in a bank designated by him for that purpose. A companion provision requires that the Treasurer be promptly notified of such deposits. This procedure assures that the State itself will be the primary beneficiary of the flow of funds through its bank accounts in the course of conducting the State's business.

Disbursing State Monies -- Since North Carolina does not maintain checking accounts through which to pay its obligations, the Treasurer acts as banker for the various agencies, departments and

institutions of the State as they disburse authorized monies. Accounts are maintained for each, much as a commercial bank maintains accounts for its customers, with the balance established pursuant to legislative action. When funds must be disbursed to meet a valid obligation, a warrant is drawn on the State Treasurer in payment. These warrants are processed through the commercial banking system by the recipients, ultimately being presented to the Clearing Section of the Division for payment. The legality of each warrant is determined and then charged against the account of the issuing agency, department or institution. The presenting bank is reimbursed through the Treasurer's central clearing accounts, which are maintained in the various Raleigh banks for this express purpose. Nine and one-half million warrants, with a face value of nearly eleven billion dollars, were processed by the Clearing Section during the fiscal year ending June 30, 1979.

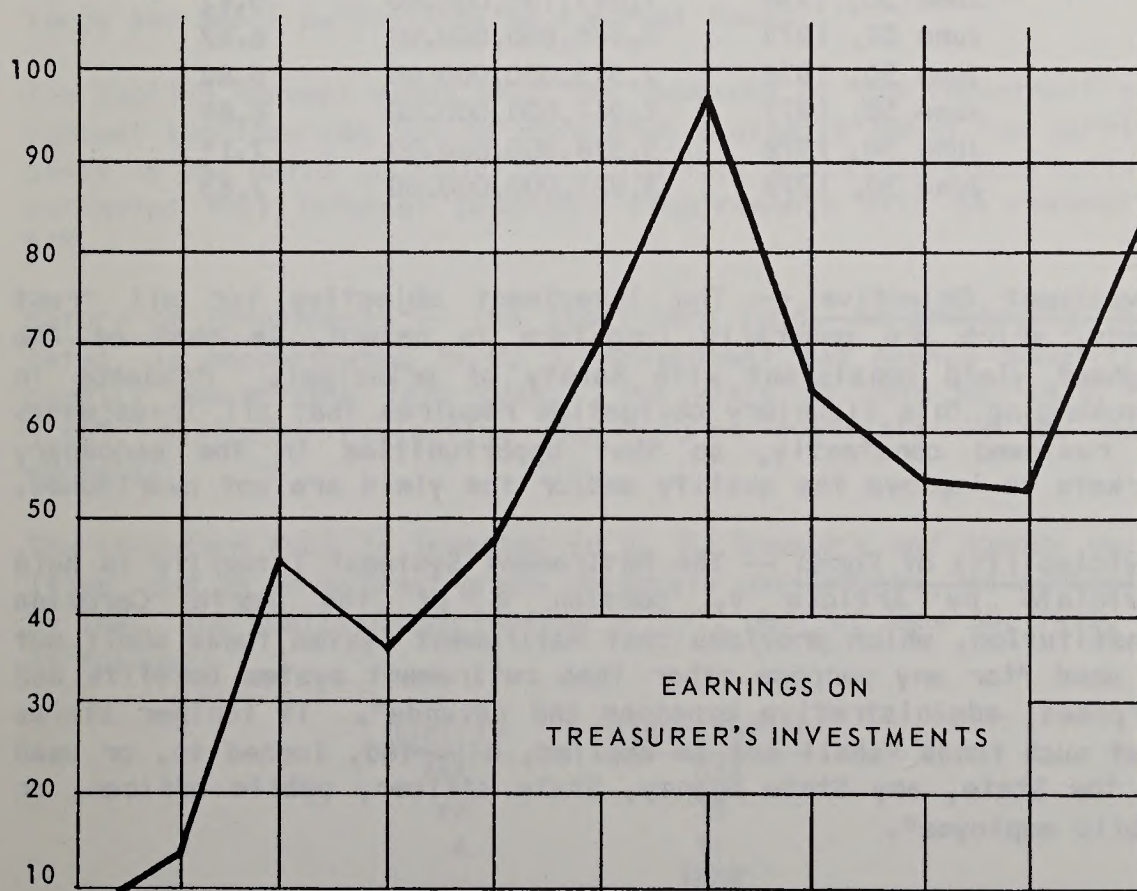
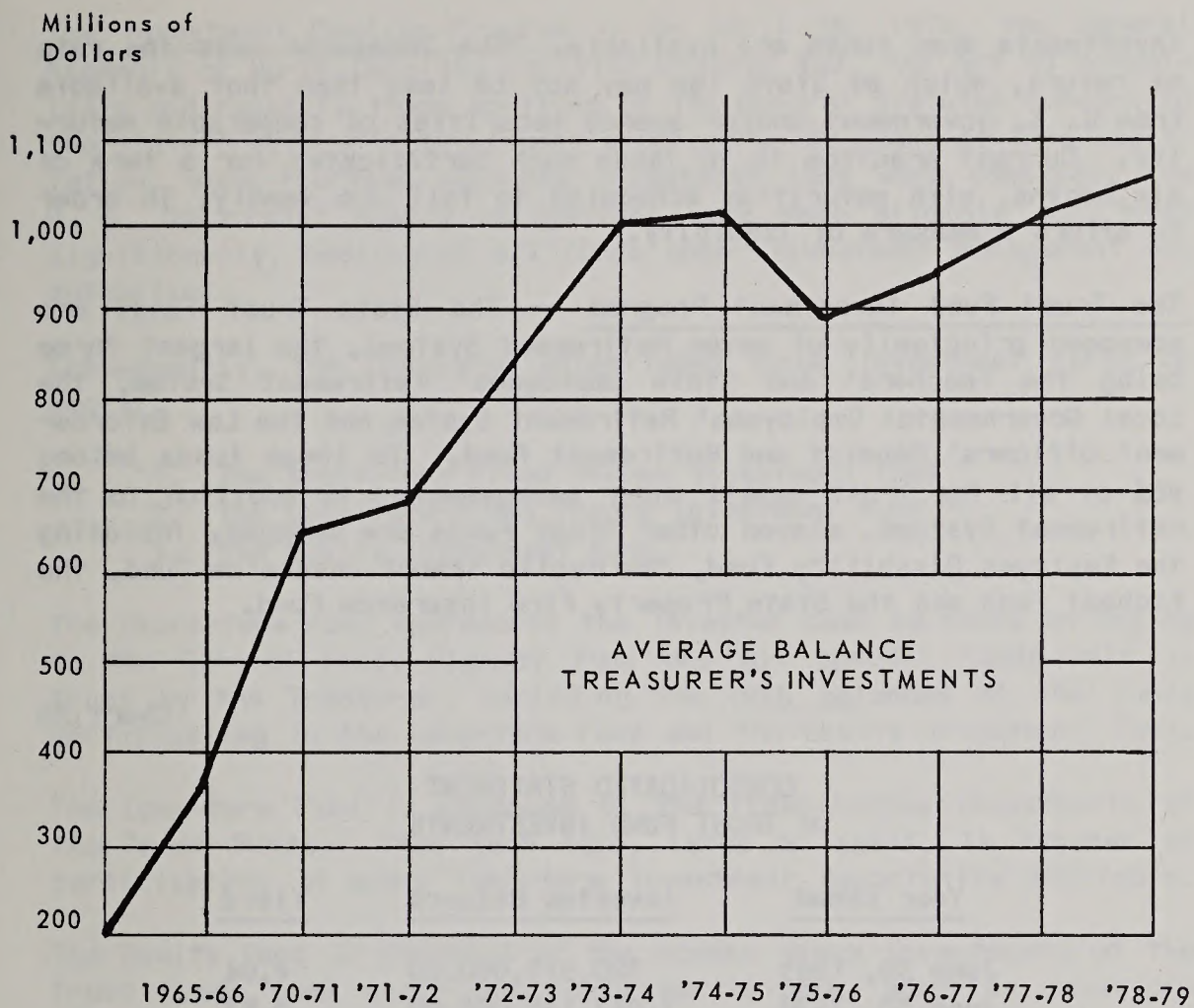
INVESTMENT MANAGEMENT

The Cash Management Program -- In order to mobilize statewide receipts, the Accounting Section of the Division daily drafts into the central clearing accounts in Raleigh monies deposited throughout the State in the designated collection accounts. By this process of concentration, funds which had little impact when scattered around the State become an important potential source of non-tax revenue.

The Investment Management Section of the Division computes daily the "idle" cash which is available for investment. This figure is based on the ending balances of the previous day, plus or minus the net difference between the certified deposits and the disbursing warrants for the current day. The excess cash in the State Treasurer's central clearing accounts is then invested in highly liquid, short-term securities, as permitted by law. Because the Treasurer's cash balances are ultimately subject to disbursement upon presentation of valid warrants, the primary considerations in making investments are liquidity and safety; the secondary consideration is income. Nevertheless, revenues from the cash management program totaled nearly eighty-three million dollars in the fiscal year ended June 30, 1979 -- the largest source of non-tax revenue for the State.

Certificates of Deposit and Savings Certificates -- Despite the constant income and outgo of funds, there is a determinable amount or "core" of deposits in the Treasurer's cash balances which does not fluctuate materially. Thus, a reasonable portion can be placed in Certificates of Deposit and Savings Certificates issued by North Carolina banks and savings and loan associations, although these instruments are not strictly "highly liquid". Subject to statutory and administrative regulations, these organizations may request such

TREASURER'S INVESTMENTS



Millions of Dollars

Investments when funds are available. The Treasurer sets the rate of return, which by State law may not be less than that available from U. S. government and/or agency securities of comparable maturity. Current practice is to issue such certificates for a term of six months, with maturities scheduled to fall due weekly, in order to afford a measure of liquidity.

The Trust Fund Investment Program -- The State Trust Funds are composed principally of seven Retirement Systems, the largest three being the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and the Law Enforcement Officers' Benefit and Retirement Fund. To these funds belong 98% of all the trust assets under management. In addition to the Retirement Systems, eleven other Trust Funds are managed, including the Employee Disability Fund, the Public School Insurance Fund, the Escheat Fund and the State Property Fire Insurance Fund.

Chart 20

CONSOLIDATED STATEMENT
OF TRUST FUND INVESTMENTS

<u>Year Ended</u>	<u>Invested Balance</u>	<u>Yield</u>
June 30, 1965	520,519,000.00	4.04
June 30, 1970	1,041,135,000.00	5.42
June 30, 1975	2,145,880,000.00	6.62
June 30, 1976	2,575,000,000.00	6.82
June 30, 1977	2,947,000,000.00	6.89
June 30, 1978	3,378,000,000.00	7.11
June 30, 1979	3,821,000,000.00	7.63

Investment Objective -- The investment objective for all trust funds, which are generally long-term in nature, is that of the highest yield consistent with safety of principal. Prudence in discharging this fiduciary obligation requires that all investments be reviewed constantly, so that opportunities in the secondary markets to improve the quality and/or the yield are not overlooked.

Inviolability of Funds -- The Retirement Systems' integrity is held inviolate by Article V, Section 6 of the North Carolina Constitution, which provides that Retirement System funds shall not be used "for any purpose other than retirement system benefits and purposes, administrative expenses and refunds". It further states that such funds "shall not be applied, diverted, loaned to, or used by the State, any State agency, State officer, public officer, or public employee".

The Investment Pooling Program -- On April 26, 1979, the General Assembly of North Carolina ratified Chapter 467, "An Act to consolidate and recodify those portions of the General Statutes concerning the State Treasurer's investment programs". By means of this legislation, some fourteen separate investment laws were combined, new U. S. Government Agency obligations were made eligible and, most significantly, pooling of all funds under investment management was authorized.

Subsequently, the Treasurer established three investment funds or pools:

1. The Short-term Fixed Income Investment Fund
2. The Long-term Fixed Income Investment Fund
3. The Equity Investment Fund

The Short-term Fund represents the invested cash balances belonging to the General Fund, Highway Fund and all special funds held in trust by the Treasurer, including the cash balances of the Funds participating in the Long-term Fund and the Equity Investment Fund.

The Long-term Fund is composed of the fixed-income investments of the Trust Funds. Thus each fund, large or small, is assured of participating in every long-term investment opportunity available.

The Equity Fund is composed of the common stock investments of the Trust Funds, and again all funds participate, much as investors large and small participate in a mutual fund.

The pooling concept means that the expenses of the investment management function can now be allocated equitably among the participants in the ratio of their participation, and it is conservatively estimated that internal paperwork requirements will be reduced by 60%.

Nature of Investments -- The Short-term Fund, as previously indicated, is concentrated in U. S. Government and Agency securities, readily convertible into cash. The yield at June 30, 1979, was 9.40%, basically reflecting the returns available in the money markets.

The Long-term Fund is invested in U. S. Treasury and Agency securities, and in investment-grade corporate obligations, as authorized by law. The quality/distribution of this pool at June 30, 1979, was as follows:

<u>Quality</u>	<u>Distribution</u>
AAA	63%
AA	36
A	11
	<u>100%</u>

Other important statistics:

Average maturity	21 years
Average yield	7.96%

The Equity Fund is composed of a diversified list of investment-grade common stocks. Although the Retirement Systems are limited by law to a maximum ownership of equities of 25%, the present exposure amounts to 15% of their assets. The yield at June 30, 1979, was 5.07%.

For the Retirement Systems which participate in all three Funds, the consolidated yield for the year ended June 30, 1979, was 7.63%. This represents an increase of 52 basis points over last year's yield of 7.11%.

Treasurer's Policy -- In all transactions executed for the three Investment Funds, the Investment Management Section pursues the objective of doing business in North Carolina, whenever it can be done at no disadvantage to the portfolio involved.

DEBT MANAGEMENT

The Investment Management Section is responsible for having "readily available funds" in the hands of the paying-agent banks on a timely basis to meet the maturing principal and interest of the State's General Obligation debt. This function is vital to the maintenance of our "AAA" rating. Although such funds belong to the bondholders on due date, they are kept invested by means of the Short-term Fund up to the actual day of payment, under the existing Debt Service Agreement.

OTHER SERVICES

In other areas of responsibility the Treasurer, through the Operations Section of the Investment and Banking Division, provides custodial services for securities held by certain other Departments of State Government, including those of Agriculture, Commerce (Industrial Commission), Human Resources, Insurance, Public Education, Revenue and Transportation (Motor Vehicle Division). These custodial services are similar to those provided for the securities of the three Investment Funds. The Operations Section is also primarily responsible for the completion of all investment transactions, including the receipt and delivery of securities, the collection of interest and dividends and monitoring the Department's relationships with the custodial banks.

The Accounting Section of the Division, in addition to performing the accounting function for the Treasurer as it relates to his investment responsibilities, maintains budgetary accounting ledgers for all agencies, departments and institutions of the State government. This critical function is central to the State's system of financial checks and balances, and therefore to its credit standing and reputation for fiscal integrity.

HIGHLIGHTS OF THE YEAR

In addition to the new investment law, previously described, there were other accomplishments in 1979. Continued progress was made in computerizing the accounting for the investment portfolios, and for the securities held as collateral for public deposits. Other computer programs were updated and rewritten, and new reports, helpful in making investment decisions, were designed.

Under the guidelines of the State's Division of Purchase and Contract, several competitive contracts for custodial services were concluded -- that for the Equity Investment Fund's Portfolio being awarded to a North Carolina bank.

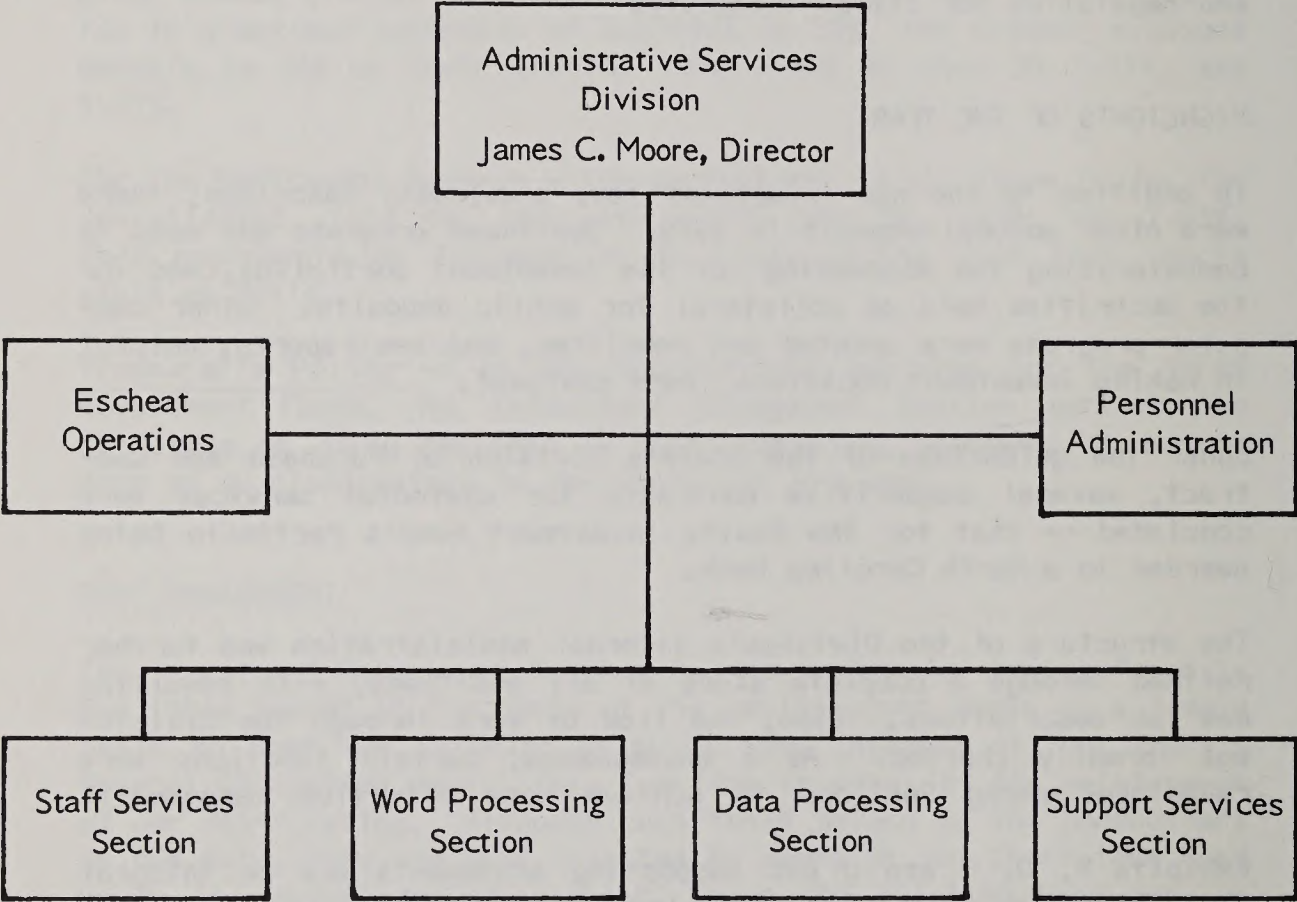
The structure of the Division's internal administration was further refined through a complete study of all positions, with resulting new job descriptions. Also, the flow of work through the Division was formally charted. As a consequence, certain functions were reassigned among Sections to achieve more effective management.

Exhibits N, O, P and Q and supporting statements are an integral part of this report on the Investment and Banking Division.

ADMINISTRATIVE SERVICES DIVISION

Chart 21

ORGANIZATION



OPERATIONS OVERVIEW

The major supporting element of the Department of State Treasurer is the Administrative Services Division. Various common support functions are performed for the three operating divisions and the Office of the State Treasurer. The classifications of those functions are specialized, technical and general. Included in the specialized category are the budget, personnel and staff services activities. The technical category includes the departmental computer system and word processing. The general category consists of supply, procurement, messenger, mail service and other general administrative responsibilities. Support services encompass both the specialized and general categories of functions. The Escheat Fund operation is administered internally; however, its functions are entirely separate from all other activities of the Division.

SPECIALIZED OPERATIONS

Specialized operations of the Division consist primarily of those services which are provided in direct support of the operating divisions. The scope and nature of the staff services function, which were performed during the fiscal year, are exemplified as follows:

Instituted a Forms Management Program -- The Forms Management Program was established to (1) decrease the cost of forms, (2) reduce turnaround time in processing printing requests, and (3) provide forms consultation services. This program centralized the responsibility for all printing and provided printing vendors and departmental personnel an intermediary on all printing matters. During the fiscal year the three above objectives were attained. Many forms were redesigned; standardization resulted and functional improvements were achieved.

Retirement Records Microfilm Study -- A comprehensive study was conducted in the Records Section of the Retirement and Health Benefits Division to determine the feasibility of microfilming all individual records. The main objectives of the study were: (1) to improve records security and (2) to reduce the records storage space. As a result of the study a microcopy system utilizing microfilm and microfilm jackets was subsequently purchased.

Analysis of Functions in the Investment and Banking Division -- To facilitate the analysis of operations within the Investment and Banking Division, a detailed review of all operating functions was performed. Each function was documented by flow charts, to be used both as training aids and as outlines from which operational procedures could be formulated.

Cost Study of WIC Program -- A cost analysis was performed to determine the per item cost to process the disbursement documents for the Department of Human Resources in connection with its food assistance program for Women, Infants, and Children (WIC). This study was used as a basis for assessing service charges to the Department of Human Resources.

Zip Code Mail Sorting Study -- A study was conducted to determine the feasibility and desirability of presorting the Department's first class mail by zip code. It was determined that mail costs could be reduced by presorting. A commercial vendor was contracted to presort the Department's bulk mailings.

Minicomputer Feasibility Study for the Investment and Banking Division -- The feasibility study was conducted to determine the merits of obtaining a minicomputer for the Accounting Section of the Investment and Banking Division. All facets of the problem were analyzed. The result of the study was to drop the minicomputer concept and to concentrate effort on upgrading the current in-house computer equipment.

The Development of a Proposal to Utilize Photo Typesetting Equipment -- A proposal was formalized to acquire photo typesetting equipment to replace two composers having limited memory capability. It was concluded that such equipment utilized in conjunction with the installed electronic typing system could accommodate all camera-ready copy requirements generated within the Department. The equipment order was placed in June for a September delivery.

Printing of Official Statements -- Prepared a new plan for printing bond official statements. The cost of printing the official statements had become expensive, due in part to the manner in which the composition had been accomplished. The current plan will provide flexibility to the printers and serve to reduce printing costs. Contract arrangements relating to the printing of official statements will be formalized in the near future.

Other achievements include:

- ... a policy statement on a code of ethics was developed relative to personnel of the Department.
- ... a policy concerning the development of a procedures manual for each division was formulated. The manuals will be useful as a training vehicle as well as a tool of management.

TECHNICAL OPERATIONS

Word Processing -- The Word Processing Center was established in January, 1978. During the current fiscal year, the Center has steadily increased its capabilities and has exceeded the production goals which were established. The Center presently contains four word processing machines and three central recorders. A photo-composer with an interface device for use with the word processors is in the acquisition phase. It is envisioned that the Center will produce camera-ready composition more economically and more rapidly than can be done under the current method of typesetting.

Much progress has been made in the area of standardizing letters and other written communications. The Center is now utilizing

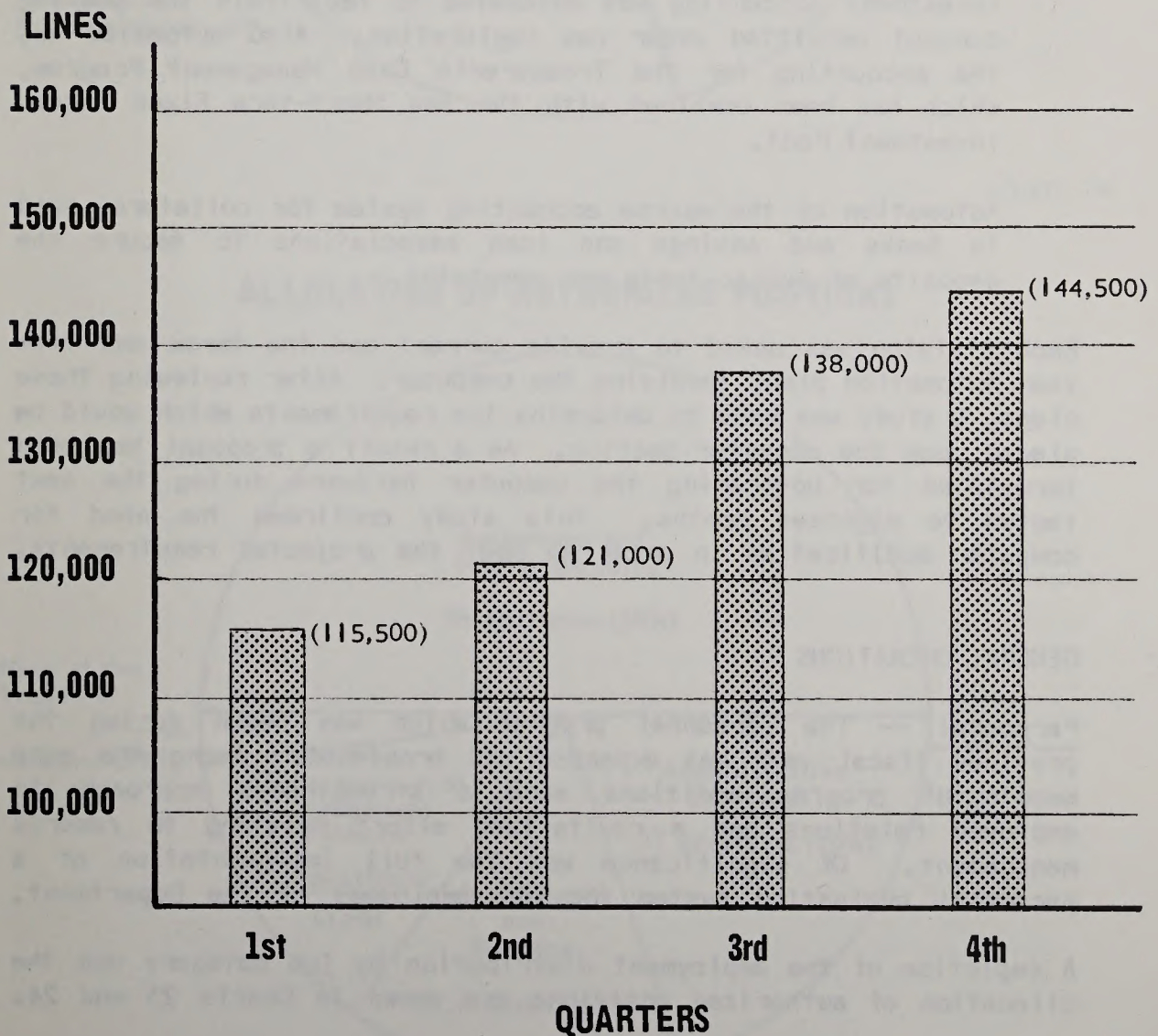
approximately 150 stored, standardized letters in addition to a variety of financial reports. Original dictation materials constitute approximately 55% of the work of the Center.

A follow-up study on Word Processing was completed in June. According to the study, approximately \$4,000 monthly was being realized as cost savings over the conventional secretary-typist system. The report further stated that new hiring requirements had decreased due to the utilization of former secretary-typist personnel in other important functional areas.

During the fiscal year, the Center processed some 64,793 pages with a total count of 1,556,897 lines. Chart 22 shows the growing usage of the Center during the fiscal year.

Chart 22

AVERAGE MONTHLY LINE COUNT
BY QUARTER



Data Processing -- During the fiscal year, the Data Processing Section was involved in the planning and development of departmental needs. The major efforts included:

Conversion of all manual Locator Cards for active and retired members of the Retirement Systems to an automated system. This system permits retrieval through computer video terminals of files on members and beneficiaries of deceased members by name, member account numbers, or social security numbers.

The Law Enforcement Officers' Benefit and Retirement Fund was transferred from the State Auditor's Department to the Retirement & Health Benefits Division. This included the monthly payments for retired members and the collection of Accounts from monthly salaries and contributions for active members. The conversion of the Law Enforcement Officers' Benefit and Retirement Fund from the manual system to the automated system provides the Retirement Division the same tools of management which the other retirement systems currently have.

Investment accounting was automated to facilitate the pooling concept permitted under new legislation. Also automated was the accounting for the Treasurer's Cash Management Program, which has been combined with the new Short-term Fixed Income Investment Pool.

Automation of the escrow accounting system for collateral held in banks and savings and loan associations to secure the deposits of public funds was completed.

Each division was asked to provide current and the three and five year automation plans involving the computer. After reviewing these plans, a study was made to determine the requirements which would be placed upon the computer section. As a result a proposal has been formulated for up-grading the computer hardware during the next twelve to eighteen months. This study confirmed the need for computer modification in order to meet the projected requirements.

GENERAL OPERATIONS

Personnel -- The personnel program which was begun during the previous fiscal year was expanded and broadened. Among the more meaningful program additions were a strengthened approach to employee relations and a revitalized effort relating to records management. Of significance was the full implementation of a personnel evaluation system for all employees of the Department.

A depiction of the employment distribution by job category and the allocation of authorized positions are shown in Charts 23 and 24.

Chart 23

EMPLOYMENT DISTRIBUTION

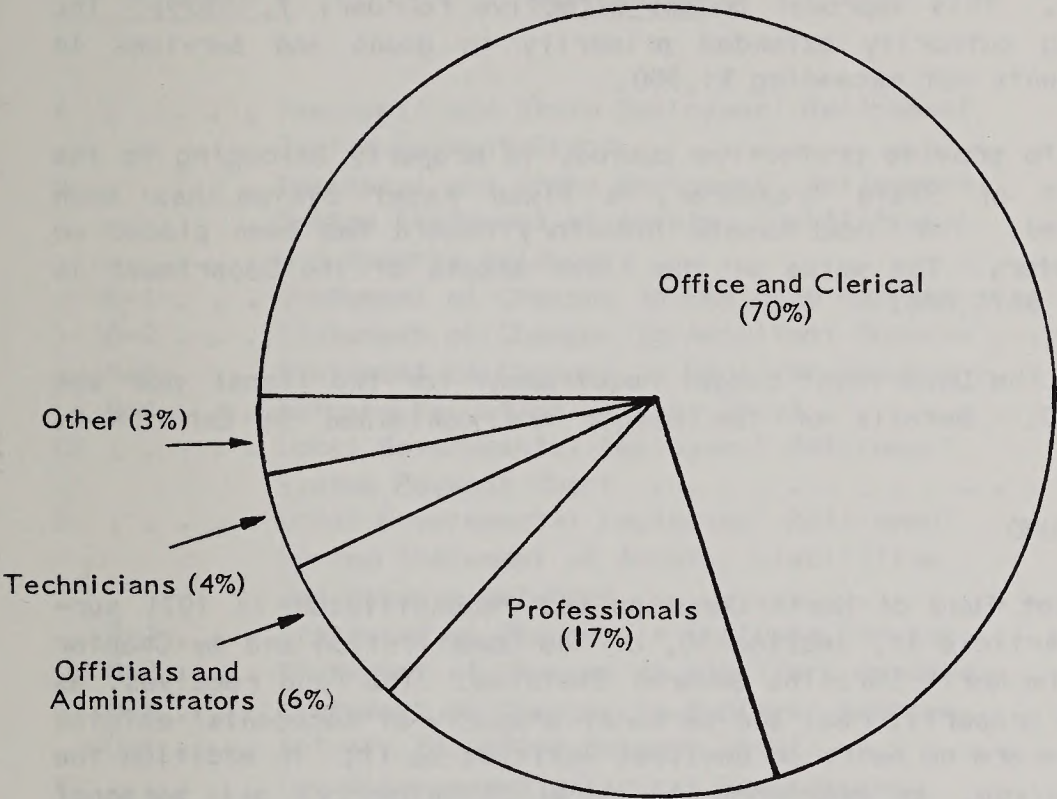
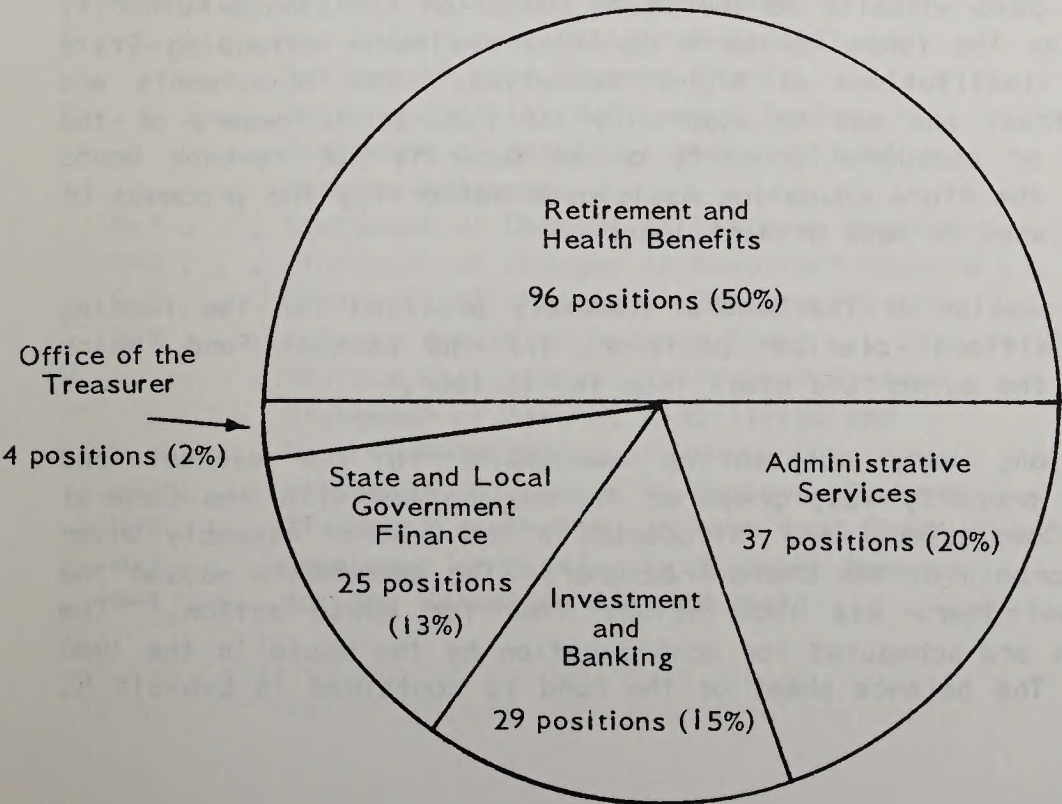


Chart 24

ALLOCATION OF AUTHORIZED POSITIONS



Supply and Procurement -- On October 25, 1978, the Department of Administration granted limited approval for the direct purchase of equipment, furniture, and supplies to the Department of State Treasurer. This approval became effective February 1, 1979. The purchasing authority extended primarily to goods and services in total amounts not exceeding \$1,500.

In order to provide protective custody to property belonging to the Department of State Treasurer, a Fixed Asset System has been established. The Fixed Assets inventory record has been placed on the computer. The value of the fixed assets of the Department is currently \$670,000.

Budget -- The Department budget requirement for the fiscal year was \$4,034,369. Details of the budget are contained in Exhibit R.

ESCHEAT FUND

The Escheat Fund of North Carolina was reconstituted in 1971 pursuant to Article IX, Section 10, of the Constitution and by Chapter 116A of the North Carolina General Statutes. The Fund receives, as escheated property, real and personal property of decedents' estates when there are no heirs or devisees entitled to it. In addition the Fund receives, as abandoned or derelict property, all personal property held by any person, firm, or corporation for the owner, when the owner fails to receive or claim the property within the periods established in the Statute.

All property received by the Escheat Fund is converted into cash, which is invested in interest bearing securities. The interest income is paid annually to the State Education Assistance Authority which lends the funds to North Carolina residents attending State supported institutions of higher education. The investments are held in trust and may be used only for refunds to owners of the escheated or abandoned property or as security for revenue bonds issued by the State Education Assistance Authority, the proceeds of which are used to make student loans.

The 1979 session of the General Assembly provided for the funding of two additional clerical positions for the Escheat Fund, which increased the authorized staff from two to four.

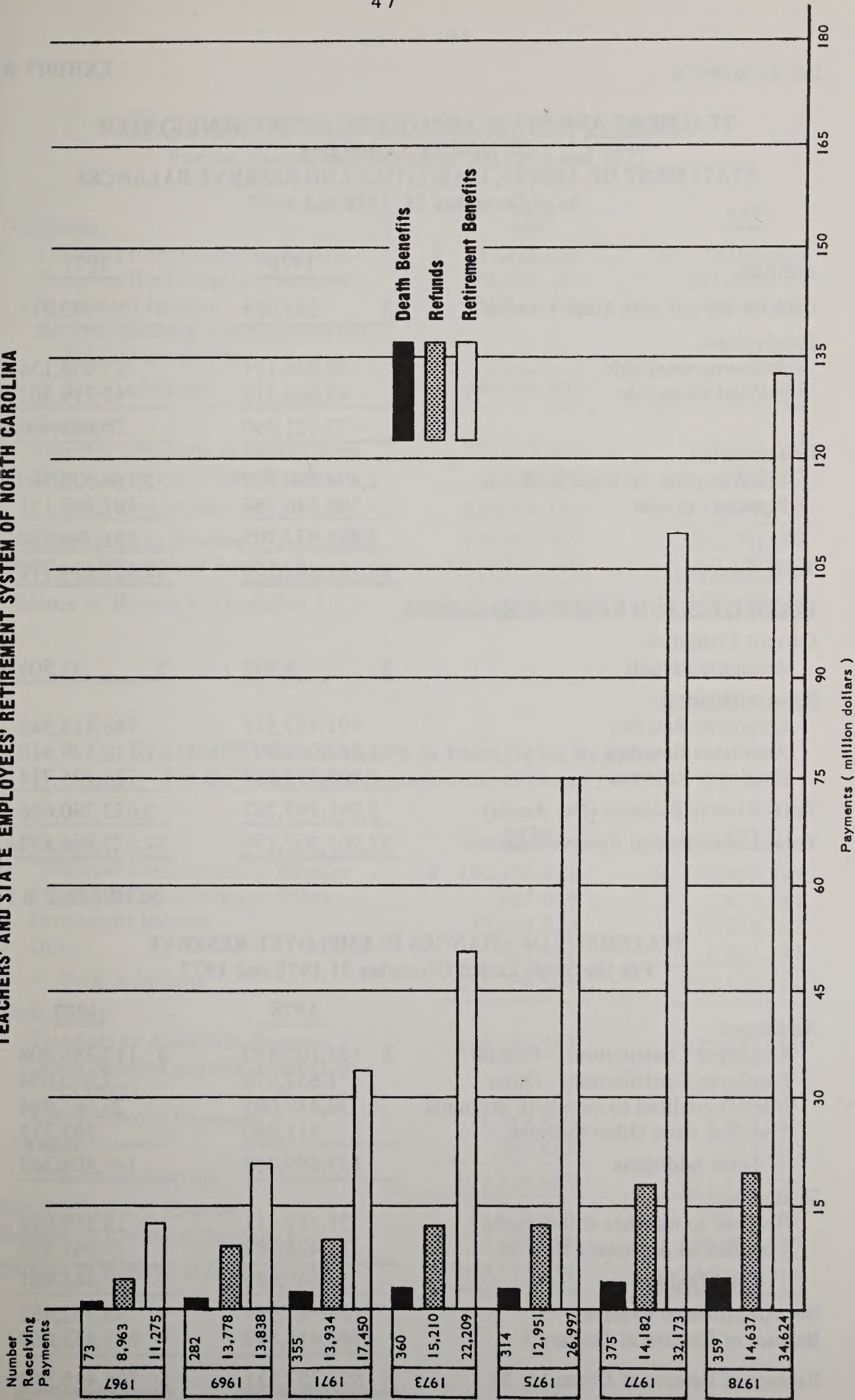
In addition, very substantive amendments to the escheat and abandoned property law, prepared in cooperation with the General Statutes Commission, were introduced in the General Assembly under the sponsorship of the State Treasurer. The amendments passed the Senate, but there was insufficient time for House action. The amendments are scheduled for consideration by the House in the 1980 session. The balance sheet of the Fund is contained in Exhibit S.

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TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA



**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1978 and 1977**

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 543,064	\$ 982,316
Receivables:		
Accounts receivable	30,056,171	27,934,134
Interest receivable	47,665,219	42,119,302
	<u>77,721,390</u>	<u>70,053,436</u>
Investments:		
Fixed income - at amortized cost	2,494,590,917	2,154,526,299
Equities - at cost	388,346,788	397,262,121
	<u>2,882,937,705</u>	<u>2,551,788,420</u>
Total Assets	<u><u>\$2,961,202,159</u></u>	<u><u>\$2,622,824,172</u></u>
LIABILITIES AND RESERVE BALANCES		
Current Liabilities:		
Accounts payable	\$ 8,892	\$ 33,506
Reserve Balances:		
Employee Reserves	891,757,531	786,415,542
Annuitant Reserves	1,267,062,097	1,110,179,410
Employer Reserves	802,373,639	726,195,714
Total Reserve Balances (Net Assets)	<u>2,961,193,267</u>	<u>2,622,790,666</u>
Total Liabilities and Reserve Balances	<u><u>\$2,961,202,159</u></u>	<u><u>\$2,622,824,172</u></u>

SCHEDULE B-1

**STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Employee Contributions - Regular	\$ 125,105,480	\$ 112,386,808
Employee Contributions - Other	1,832,973	7,090,054
Interest credited to members' accounts	30,439,095	26,567,984
Transfers from Other Systems	511,940	363,517
Total Additions	<u>157,889,488</u>	<u>146,408,363</u>
Deductions:		
Refunds to member withdrawing	21,119,411	18,359,022
Transfers to Annuitant Reserve	31,428,088	29,086,859
Total Deductions	<u>52,547,499</u>	<u>47,445,881</u>
Net Additions to Reserve	105,341,989	98,962,482
Balance of Reserve at January 1	<u>786,415,542</u>	<u>687,453,060</u>
Balance of Reserve at December 31	<u><u>\$ 891,757,531</u></u>	<u><u>\$ 786,415,542</u></u>

SCHEDULE B-2

STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Transfers from Employee Reserve	\$ 31,428,088	\$ 29,086,859
Transfers from Employer Reserve	186,544,282	222,425,687
Investment Income	71,316,435	60,610,717
Retired members' contributions for Military service, etc.		36,835
Total Additions	<u>289,288,805</u>	<u>312,160,098</u>
Deductions:		
Monthly payments to beneficiaries	131,279,525	111,171,032
Other payments to beneficiaries	<u>1,126,593</u>	<u>987,473</u>
Total Deductions	<u>132,406,118</u>	<u>112,158,505</u>
Net Additions to Reserve	156,882,687	200,001,593
Balance of Reserve at January 1	<u>1,110,179,410</u>	<u>910,177,817</u>
Balance of Reserve at December 31	<u><u>\$1,267,062,097</u></u>	<u><u>\$1,110,179,410</u></u>

SCHEDULE B-3

STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Employer Contributions - Regular	\$ 190,253,602	\$ 170,930,789
Employer Contributions - Other	925,059	2,673,284
Investment Income	77,363,950	77,274,747
Other	<u>163,983</u>	<u>6,463,594</u>
Total Additions	<u>268,706,594</u>	<u>257,342,414</u>
Deductions:		
Transfers to Annuitant Reserve	186,544,282	222,425,687
Death Benefits payable under G. S. 135-5(1)	4,005,761	3,978,871
Administrative Expenses	1,512,938	1,469,347
Other	<u>465,688</u>	<u>237,320</u>
Total Deductions	<u>192,528,669</u>	<u>228,111,225</u>
Net Additions to Reserve	76,177,925	29,231,189
Balance of Reserve at January 1	<u>726,195,714</u>	<u>696,964,525</u>
Balance of Reserve at December 31	<u><u>\$ 802,373,639</u></u>	<u><u>\$ 726,195,714</u></u>

VALUATION BALANCE SHEET *
 SHOWING THE ASSETS AND LIABILITIES OF THE TEACHERS' AND STATE
 EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA
 AS OF DECEMBER 31, 1977

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 786,415,542
Pension Accumulation Fund	<u>1,836,375,124</u>

Total Present Assets	\$ 2,622,790,666
----------------------	------------------

Present value of future contributions by members	1,303,163,329
---	---------------

Prospective contributions to the
Pension Accumulation Fund:

Normal contributions	\$ 962,169,052
Accrued liability contributions	<u>1,039,771,187</u>

Total Prospective Contributions	<u>2,001,940,239</u>
---------------------------------	----------------------

Total Assets	\$ 5,927,894,234
--------------	------------------

LIABILITIES

Present value of past and future contri- butions by members to the Annuity Savings Fund	\$ 2,089,578,871
---	------------------

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Pension Accumulation Fund	1,110,179,410
--	---------------

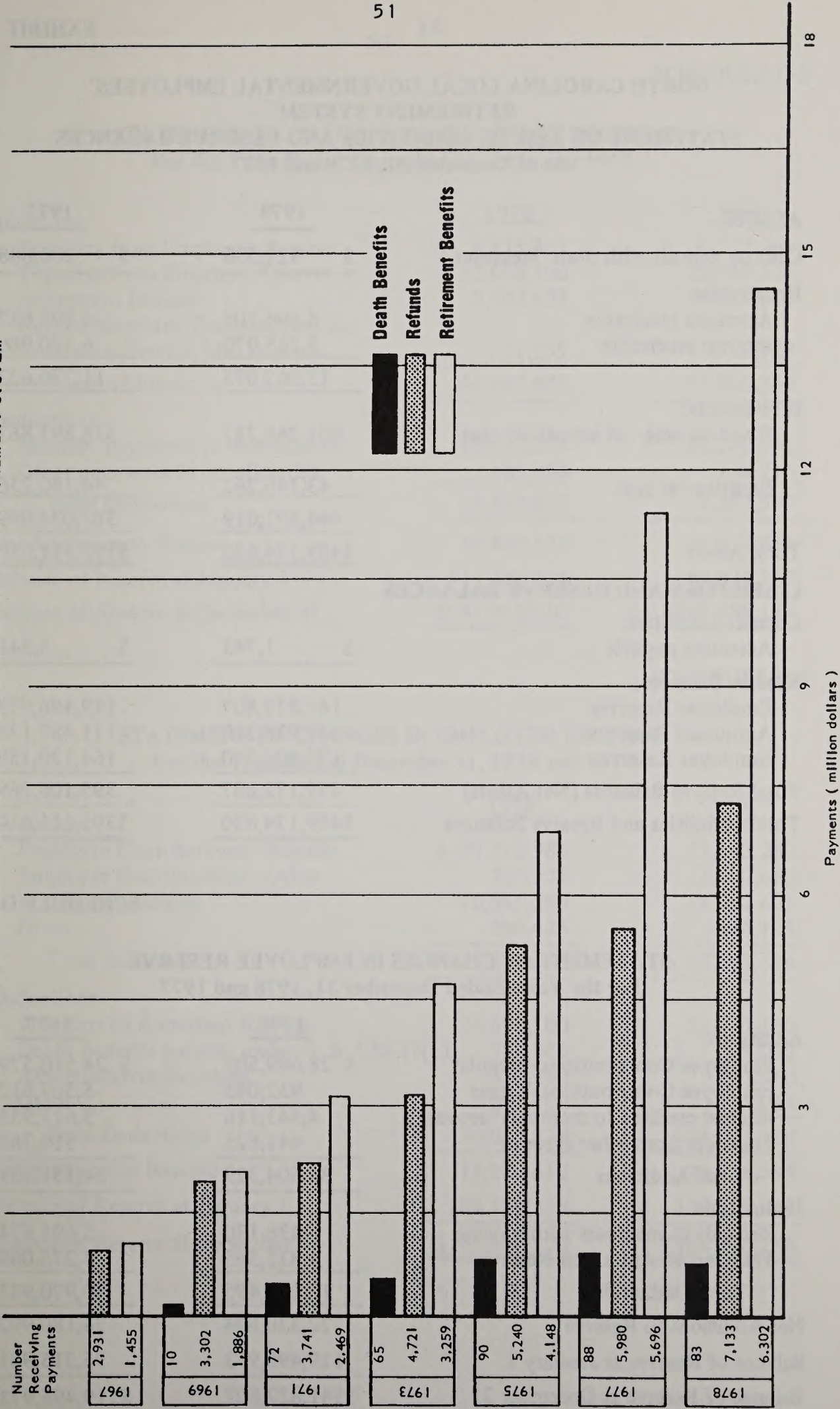
Present value of benefits to active members to be paid by contributions of the State and other employers into the Pension Accumulation Fund	2,605,962,384
--	---------------

Reserve for future increases in retirement allowances	<u>122,173,569</u>
--	--------------------

Total Liabilities	\$ 5,927,894,234
-------------------	------------------

*Editor's Note: This is the Report of the Valuation at the beginning
of the 1978 fiscal year.

NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM



**NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1978 and 1977**

ASSETS	1978	1977
Cash on deposit with State Treasurer	\$ 821,536	\$ 306,888
Receivables:		
Accounts receivable	5,696,105	4,899,637
Interest receivable	8,265,970	6,870,986
	<u>13,962,075</u>	<u>11,770,623</u>
Investments:		
Fixed income - at amortized cost	401,244,757	338,893,863
Equities - at cost	<u>43,146,262</u>	<u>44,140,236</u>
	<u>444,391,019</u>	<u>383,034,099</u>
Total Assets	<u>\$459,174,630</u>	<u>\$395,111,610</u>
LIABILITIES AND RESERVE BALANCES		
Current Liabilities:		
Accounts payable	\$ 1,743	\$ 5,341
Reserve Balances:		
Employee Reserves	141,827,807	119,496,973
Annuitant Reserves	141,938,310	111,489,138
Employer Reserves	<u>175,406,770</u>	<u>164,120,158</u>
Total Reserve Balances (Net Assets)	<u>459,172,887</u>	<u>395,106,269</u>
Total Liabilities and Reserve Balances	<u>\$459,174,630</u>	<u>\$395,111,610</u>

SCHEDULE D-1

**STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1978 and 1977**

	1978	1977
Additions:		
Employee Contributions - Regular	\$ 28,689,503	\$ 24,510,579
Employee Contributions - Other	932,085	5,509,612
Interest credited to members' accounts	4,541,116	3,611,955
Transfers from other systems	<u>441,625</u>	<u>519,789</u>
Total Additions	<u>34,604,329</u>	<u>34,151,935</u>
Deductions:		
Refunds to members withdrawing	7,438,130	5,695,874
Transfers to Annuitant Reserve	<u>4,835,365</u>	<u>4,275,069</u>
Total Deductions	<u>12,273,495</u>	<u>9,970,943</u>
Net Additions to Reserve	22,330,834	24,180,992
Balance of Reserve at January 1	<u>119,496,973</u>	<u>95,315,981</u>
Balance of Reserve at December 31	<u>\$141,827,807</u>	<u>\$119,496,973</u>

SCHEDULE D-2

STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Transfers from Employee Reserve	\$ 4,835,365	\$ 4,275,069
Transfers from Employer Reserve	32,608,100	22,687,156
Investment Income	7,602,823	6,039,614
Retired Members' Contributions for Military Service, etc.	21,539	3,529
Total Additions	<u>45,067,827</u>	<u>33,005,368</u>
Deductions:		
Monthly payments to beneficiaries	14,433,271	11,207,841
Other payments to beneficiaries	185,384	139,716
Total Deductions	<u>14,618,655</u>	<u>11,347,557</u>
Net Additions to Reserve	30,449,172	21,657,811
Balance of Reserve at January 1	<u>111,489,138</u>	<u>89,831,327</u>
Balance of Reserve at December 31	<u><u>\$141,938,310</u></u>	<u><u>\$111,489,138</u></u>

SCHEDULE D-3

STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Employer Contributions - Regular	\$ 27,785,986	\$ 21,643,280
Employer Contributions - Other	759,271	11,697,660
Investment Income	16,546,298	14,842,451
Other	206,435	416,123
Total Additions	<u>45,297,990</u>	<u>48,599,514</u>
Deductions:		
Transfers to Annuitant Reserve	32,608,100	22,687,156
Death Benefits payable under G. S. 128-27(1)	752,846	798,092
Administrative Expenses	380,240	347,956
Other	270,192	227,915
Total Deductions	<u>34,011,378</u>	<u>24,061,119</u>
Net Addition to Reserve	11,286,612	24,538,395
Balance of Reserve at January 1	<u>164,120,158</u>	<u>139,581,763</u>
Balance of Reserve at December 31	<u><u>\$175,406,770</u></u>	<u><u>\$164,120,158</u></u>

VALUATION BALANCE SHEET *
 SHOWING THE ASSETS AND LIABILITIES OF THE
 NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
 PREPARED AS OF DECEMBER 31, 1977

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 119,496,973
Pension Accumulation Fund	<u>275,609,296</u>

Total present assets	\$ 395,106,269
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Present value of future contributions by members	254,011,946
---	-------------

Prospective contributions by
participating employers to the
Pension Accumulation Fund:

Normal contributions	\$ 149,899,530
Accrued liability contributions	<u>77,899,306</u>

Total prospective contributions	<u>227,798,836</u>
---------------------------------	--------------------

Total Assets	<u><u>\$ 876,917,051</u></u>
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LIABILITIES

Present value of benefits on account of past and future contributions of members to the Annuity Savings Fund	\$ 373,508,919
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Present value of benefits payable on account of retired members and benefi- ciaries now drawing allowances from the Pension Accumulation Fund	111,489,138
--	-------------

Present value of benefits to active members to be paid by contributions of the participating employers into the Pension Accumulation Fund	375,811,618
--	-------------

Reserve held for future increases to retired members and beneficiaries	<u>16,107,376</u>
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Total Liabilities	<u><u>\$ 876,917,051</u></u>
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* Editor's Note: This is the Report of the Valuation at the beginning
of the 1978 fiscal year.

EXHIBIT E

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of June 30, 1978**

ASSETS	1978
Cash on deposit with State Treasurer	\$ 1,065,408
Receivables:	
Accounts receivable	2,858
Interest receivable	3,430,533
	<u>3,433,391</u>
Investments:	
Fixed income - at amortized cost	<u>160,682,995</u>
Total Assets	<u><u>\$165,181,794</u></u>
 LIABILITIES AND RESERVE BALANCES	
Current Liabilities:	
Accounts payable	\$ 173,144
Unearned Income	<u>446,069</u>
	<u>619,213</u>
Reserve Balances:	
Employee Reserves	69,850,835
Annuitant Reserves	63,285,789
Employer Reserves	28,429,407
Separate Benefit Reserves	<u>2,996,550</u>
Total Reserve Balances (Net Assets)	<u>164,562,581</u>
Total Liabilities and Reserve Balances	<u><u>\$165,181,794</u></u>

STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Year Ended June 30, 1978

	<u>1978</u>
Additions:	
Employee Contributions - Regular	\$ 11,682,896
Interest credited to members' accounts	2,260,271
Total Additions	<u>13,943,167</u>
Deductions:	
Refunds to members withdrawing	1,954,957
Transfers to Annuitant Reserve	3,119,807
Total Deductions	<u>5,074,764</u>
Net Additions to Reserve	8,868,403
Balance of Reserve at July 1	<u>60,982,432</u>
Balance of Reserve at June 30	<u><u>\$69,850,835</u></u>

SCHEDULE E-2

STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Year Ended June 30, 1978

	<u>1978</u>
Additions:	
Transfers from Employee Reserve	\$ 3,119,807
Transfers from Employer Reserve	8,283,175
Investment Income	3,442,102
Retired Members' Contributions for Military Service, etc.	<u>14,845,084</u>
Total Additions	<u>14,845,084</u>
Deductions:	
Monthly payments to beneficiaries	2,995,570
Other payments to beneficiaries	14,657
Total Deductions	<u>3,010,227</u>
Net Additions to Reserve	11,834,857
Balance of Reserve at July 1	<u>51,450,932</u>
Balance of Reserve at June 30	<u><u>\$ 63,285,789</u></u>

STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Year Ended June 30, 1978

Additions:

Employer Contributions - Regular	\$ 4,149,914
Investment Income	<u>5,378,693</u>
Total Additions	<u>9,528,607</u>

Deductions:

Transfers to Annuitant Reserve	8,283,175
Administrative Expenses	<u>104,555</u>
Total Deductions	<u>8,387,730</u>

Net Addition to Reserve	1,140,877
Balance of Reserve at July 1	<u>27,288,530</u>
Balance of Reserve at June 30	<u><u>\$ 28,429,407</u></u>

SCHEDULE E-4

STATEMENT OF CHANGES IN SEPARATE BENEFIT RESERVES
For the Year Ended June 30, 1978

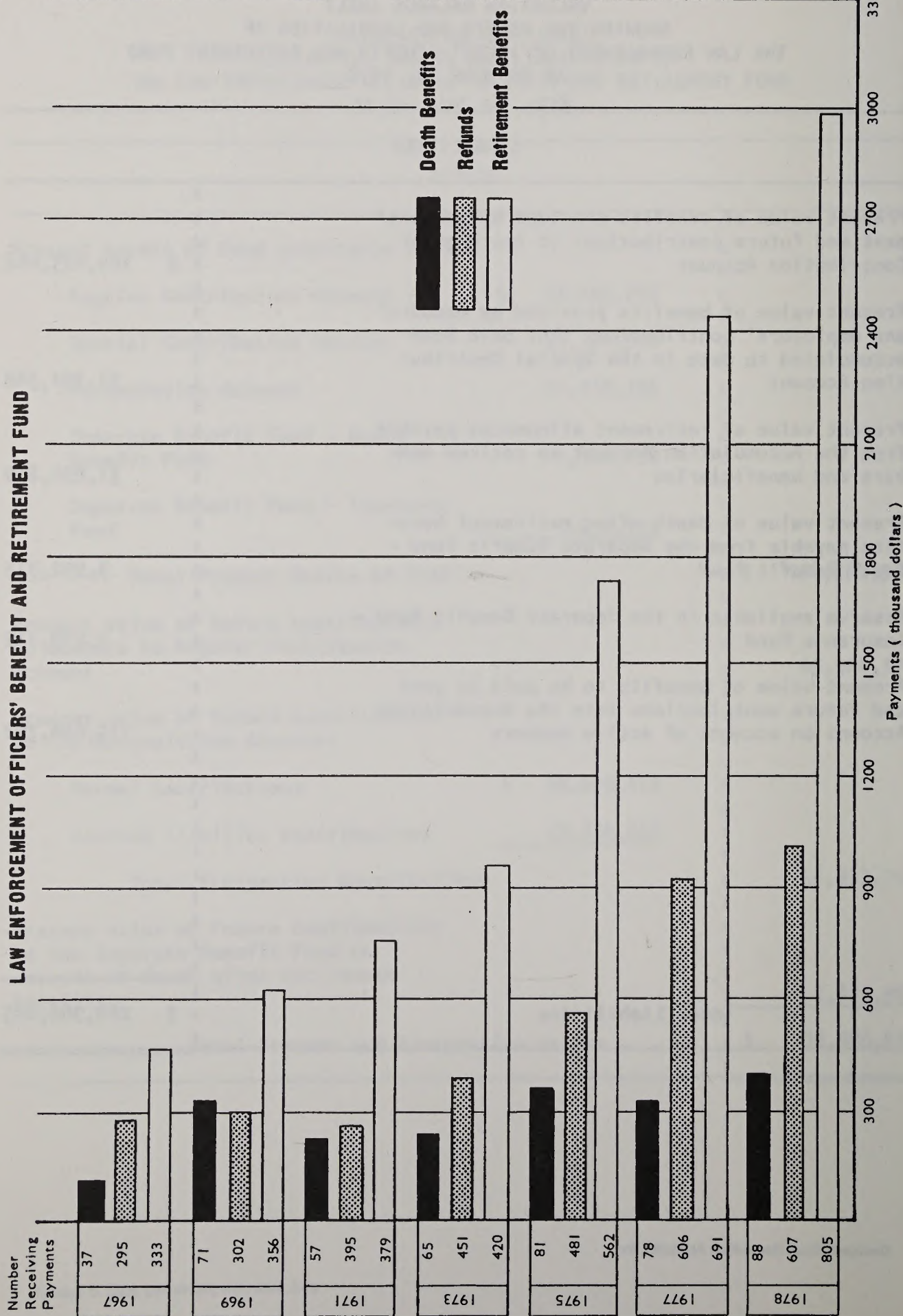
	<u>1978</u>
Additions:	
Court Costs Received	\$ 801,388
Insurance Dividends	68,979
Investment Income	<u>204,022</u>
	<u>1,074,389</u>
Deductions:	
Administrative Expenses	34,838
Death Benefits Paid	237,000
Insurance Premiums	<u>353,264</u>
	<u>625,102</u>
Net Additions to Reserve	449,287
Balance of Reserve at July 1	<u>2,547,263</u>
Balance of Reserve at June 30	<u><u>\$ 2,996,550</u></u>

**VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF
THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND
AS OF JUNE 30, 1978**

ASSETS		
<hr/>		
Present assets of Fund creditable to:		:
Regular Contribution Account	\$ 38,459,295	:
Special Contribution Account	31,391,540	:
Accumulation Account	91,715,196	:
Separate Benefit Fund - Death Benefit Fund	1,366,418	:
Separate Benefit Fund - Insurance Fund	<u>1,630,132</u>	:
Total Present Assets of Fund		: \$ 164,562,581
Present value of future contributions by members to Regular Contribution Account		: 65,964,373
Present value of future contributions to the Accumulation Account:		:
Normal contributions	\$ 38,699,102	:
Accrued liability contributions	<u>17,134,652</u>	:
Total Prospective Contributions		: 55,833,754
Present value of future contributions to the Separate Benefit Fund on account of death after retirement benefits		: <u>2,625,957</u>
Total Present and Prospective Assets		: \$ 288,986,665
<hr/>		

	:	
Present value of benefits provided by members'	:	
past and future contributions to the Regular	:	
Contribution Account	: \$	104,423,668
	:	
Present value of benefits provided by members'	:	
and employers' contributions that have been	:	
accumulated to date in the Special Contribu-	:	
tion Account	:	31,391,540
	:	
Present value of retirement allowances payable	:	
from the Accumulation Account to retired mem-	:	
bers and beneficiaries	:	31,894,249
	:	
Present value of death after retirement bene-	:	
fits payable from the Separate Benefit Fund -	:	
Death Benefit Fund	:	3,992,375
	:	
Reserve available in the Separate Benefit Fund -	:	
Insurance Fund	:	1,630,132
	:	
Present value of benefits to be paid by past	:	
and future contributions into the Accumulation	:	
Account on account of active members	:	115,654,701
	:	
	:	
	:	
	:	
	:	
	:	
	:	
	:	
	:	
	:	
Total Liabilities	: \$	288,986,665
	:	

LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND



**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS AND RESERVE BALANCES
As of December 31, 1978 and 1977**

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 38,505	\$ 308,688
Receivables:		
Accounts receivable	229,698	188,200
Interest receivable	119,659	119,804
	<u>349,357</u>	<u>308,004</u>
Investments:		
Fixed income - at amortized cost	7,667,066	5,236,022
Total Assets	<u><u>\$8,054,928</u></u>	<u><u>\$5,852,714</u></u>
 RESERVE BALANCES		
Reserve Balances:		
Employee Reserves	\$2,074,051	\$1,603,117
Annuitant Reserves	8,364,823	7,512,191
Employer Reserves	<u>(2,383,946)</u>	<u>(3,262,594)</u>
Total Reserve Balances (Net Assets)	<u><u>8,054,928</u></u>	<u><u>5,852,714</u></u>

SCHEDULE G-1

**STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Employee Contributions - Regular	\$ 429,167	\$ 348,566
Employee Contributions - Other	43,824	13,404
Interest credited to members' accounts	63,139	49,383
Transfers from other systems	<u>24,378</u>	<u>38,430</u>
Total Additions	<u>560,508</u>	<u>449,783</u>
Deductions:		
Refunds to members withdrawing	16,595	11,731
Transfers to Annuitant Reserve	<u>72,979</u>	<u>192,291</u>
Total Deductions	<u>89,574</u>	<u>204,022</u>
Net Additions to Reserve	470,934	245,761
Balance of Reserve at January 1	<u>1,603,117</u>	<u>1,357,356</u>
Balance of Reserve at December 31	<u><u>\$2,074,051</u></u>	<u><u>\$1,603,117</u></u>

SCHEDULE G-2

**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Transfers from Employee Reserve	\$ 72,979	\$ 192,291
Transfers from Employer Reserve	1,319,618	1,597,408
Investment income	389,178	342,732
Total additions	<u>1,781,775</u>	<u>2,132,431</u>
Deductions:		
Monthly payments to beneficiaries	<u>929,143</u>	<u>817,310</u>
Total deductions	<u>929,143</u>	<u>817,310</u>
Net additions to reserve	852,632	1,315,121
Balance of reserve at January 1	<u>7,512,191</u>	<u>6,197,070</u>
Balance of reserve at December 31	<u><u>\$ 8,364,823</u></u>	<u><u>\$ 7,512,191</u></u>

SCHEDULE G-3

**STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Employer contributions - regular	\$ 2,171,268	\$ 932,477
Employer contributions - other	34,000	34,000
Investment income	24,722	(2,376)
Other	<u>150</u>	<u>75</u>
Total additions	<u>2,230,140</u>	<u>964,176</u>
Deductions:		
Transfers to Annuitant Reserve	1,319,618	1,597,408
Death Benefits payable under G.S. 135 - 63	28,372	0-
Administrative expenses	<u>3,502</u>	<u>3,517</u>
Total deductions	<u>1,351,492</u>	<u>1,600,925</u>
Net additions (deductions) to reserve	878,648	(636,749)
Balance of reserve at January 1	<u>(3,262,594)</u>	<u>(2,625,845)</u>
Balance of reserve at December 31	<u><u>\$ (2,383,946)</u></u>	<u><u>\$ (3,262,594)</u></u>

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE NORTH CAROLINA UNIFORM
JUDICIAL RETIREMENT SYSTEM
AS OF DECEMBER 31, 1978

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 2,074,051
Pension Accumulation Fund	<u>5,980,877</u>

Total Present Assets	\$ 8,054,928
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Present value of future contributions by members	5,065,260
---	-----------

Present value of prospective contri-
butions by the State to the Pension
Accumulation Fund:

Normal contributions	\$ 13,144,350
Accrued liability contributions	<u>16,649,586</u>

Total Prospective Contributions	<u>29,793,936</u>
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Total Assets	\$ 42,914,124
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LIABILITIES

Present value of past and future contri- butions by members to the Annuity Savings Fund	\$ 7,139,311
---	--------------

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Pension Accumulation Fund	8,364,823
--	-----------

Present value of benefits to or on account of active members to be paid by contribu- tions of the State into the Pension Accumulation Fund	26,678,820
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Reserve for future increases in retirement allowances	<u>731,170</u>
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Total Liabilities	\$ 42,914,124
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EXHIBIT H

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1978 and 1977**

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 4,172	\$ 85,029
Receivables:		
Accounts receivable	31,378	25,819
Interest receivable	29,096	20,188
	<u>60,474</u>	<u>46,007</u>
Investments:		
Fixed income - at amortized cost	1,186,298	760,150
Total Assets	<u><u>\$1,250,944</u></u>	<u><u>\$ 891,186</u></u>
 LIABILITIES AND RESERVE BALANCES		
Reserve Balances:		
Employee Reserves	\$ 418,296	\$ 348,774
Annuitant Reserves	614,400	606,396
Employer Reserves	218,248	(63,984)
Total Reserve Balances (Net Assets)	<u>1,250,944</u>	<u>891,186</u>
Total Liabilities and Reserve Balances	<u><u>\$1,250,944</u></u>	<u><u>\$ 891,186</u></u>

SCHEDULE H-1

**STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1978 and 1977**

Additions:		
Employee Contributions - Regular	\$ 66,528	\$ 57,525
Employee Contributions - Other	3	3,407
Interest credited to members' accounts	13,735	11,494
Total Additions	<u>80,266</u>	<u>72,426</u>
Deductions:		
Refunds to Members Withdrawing	<u>10,744</u>	<u>14,616</u>
Total Deductions	<u>10,744</u>	<u>14,616</u>
Net Additions to Reserve	69,522	57,810
Balance of Reserve at January 1	<u>348,774</u>	<u>290,964</u>
Balance of Reserve at December 31	<u><u>\$ 418,296</u></u>	<u><u>\$ 348,774</u></u>

SCHEDULE H-2

STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Transfers from Employer Reserve	\$ 30,406	\$ 54,686
Investment income	<u>30,520</u>	<u>29,489</u>
Total additions	<u>60,926</u>	<u>84,175</u>
Deductions:		
Monthly payments to beneficiaries	<u>52,922</u>	<u>50,923</u>
Total deductions	<u>52,922</u>	<u>50,923</u>
Net additions to reserve	8,004	33,252
Balance of reserve at January 1	<u>606,396</u>	<u>573,144</u>
Balance of reserve at December 31	<u><u>\$ 614,400</u></u>	<u><u>\$ 606,396</u></u>

SCHEDULE H-3

STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Employer contributions - regular	\$ 262,670	\$ 122,916
Employer contributions - other	24,256	
Investment income	26,668	13,380
Other		<u>25</u>
Total additions	<u>313,594</u>	<u>136,321</u>
Deductions:		
Transfers to Annuitant Reserve	30,406	54,686
Administrative expenses	<u>956</u>	<u>958</u>
Total deductions	<u>31,362</u>	<u>55,644</u>
Net addition to reserve	282,232	80,677
Balance of reserve at January 1	<u>(63,984)</u>	<u>(144,661)</u>
Balance of Reserve at December 31	<u><u>\$ 218,248</u></u>	<u><u>\$ (63,984)</u></u>

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE NORTH CAROLINA UNIFORM
SOLICITORIAL RETIREMENT SYSTEM
AS OF DECEMBER 31, 1978

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$	418,295
Pension Accumulation Fund		<u>832,649</u>

Total Present Assets		\$ 1,250,944
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Present value of future contributions by members		915,114
---	--	---------

Present value of prospective contri-
butions by the State to the Pension
Accumulation Fund:

Normal contributions	\$	2,158,144
Accrued liability contributions		<u>1,630,071</u>

Total Prospective Contributions		<u>3,788,215</u>
---------------------------------	--	------------------

Total Assets		\$ 5,954,273
--------------	--	--------------

LIABILITIES

Present value of past and future contri- butions by members to the Annuity Savings Fund		\$ 1,333,409
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Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Pension Accumulation Fund		614,400
--	--	---------

Present value of benefits to or on account of active members to be paid by contribu- tions of the State into the Pension Accumulation Fund		3,996,584
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Reserve for future increases in retire- ment allowances		<u>9,880</u>
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Total Liabilities		\$ 5,954,273
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**UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS AND RESERVE BALANCES
As of December 31, 1978 and 1977**

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 8,626	\$ 241,456
Receivables:		
Accounts receivable	54,198	49,781
Interest receivable	48,652	21,777
	<u>102,850</u>	<u>71,558</u>
Investments:		
Fixed income - at amortized cost	<u>2,405,910</u>	<u>1,430,069</u>
Total assets	<u><u>\$2,517,386</u></u>	<u><u>\$1,743,083</u></u>
RESERVE BALANCES		
Reserve Balances:		
Employee Reserves	\$ 779,140	\$ 710,103
Annuitant Reserves	1,815,565	805,068
Employer Reserves	<u>(77,319)</u>	<u>227,912</u>
Total Reserve Balances (Net Assets)	<u><u>\$2,517,386</u></u>	<u><u>\$1,743,083</u></u>

SCHEDULE I-1

**STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Employee contributions - regular	\$ 112,088	\$ 101,134
Employee contributions - other	4,684	5,369
Interest credited to members' accounts	<u>27,773</u>	<u>23,970</u>
Total additions	<u>144,545</u>	<u>130,473</u>
Deductions:		
Refunds to members withdrawing	4,024	
Transfers to Annuitant Reserve	<u>71,484</u>	<u>42,917</u>
Total deductions	<u>75,508</u>	<u>42,917</u>
Net additions to reserve	69,037	87,556
Balance of reserve at January 1	<u>710,103</u>	<u>622,547</u>
Balance of reserve at December 31	<u><u>\$ 779,140</u></u>	<u><u>\$ 710,103</u></u>

SCHEDULE I-2

STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Transfers from Employee Reserve	\$ 71,484	\$ 42,917
Transfers from Employer Reserve	970,153	319,740
Investment income	65,516	31,898
Total additions	<u>1,107,153</u>	<u>394,555</u>
Deductions:		
Monthly payments to beneficiaries	93,549	60,355
Other payments to beneficiaries	3,107	
Total deductions	<u>96,656</u>	<u>60,355</u>
Net additions to reserve	1,010,497	334,200
Balance of reserve at January 1	805,068	470,868
Balance of reserve at December 31	<u>\$1,815,565</u>	<u>\$ 805,068</u>

SCHEDULE I-3

STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Employer contributions - regular	\$ 515,603	\$ 245,287
Employer contributions - other	122,260	
Investment income	48,782	41,532
Other	50	50
Total additions	<u>686,695</u>	<u>286,869</u>
Deductions:		
Transfer to Annuitant Reserve	970,153	319,740
Death benefits payable under G.S. 135-63	20,244	13,308
Administrative expenses	1,529	1,534
Total deductions	<u>991,926</u>	<u>334,582</u>
Net deductions to reserve	(305,231)	(47,713)
Balance of reserve at January 1	227,912	275,625
Balance of reserve at December 31	<u>\$ (77,319)</u>	<u>\$ 227,912</u>

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE NORTH CAROLINA UNIFORM
CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
AS OF DECEMBER 31, 1978

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$	779,140
Pension Accumulation Fund		<u>1,738,246</u>

Total Present Assets		\$ 2,517,386
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Present value of future contributions
by members

1,377,567

Present value of prospective contri-
butions by the State to the Pension
Accumulation Fund:

Normal contributions	\$	3,570,202
Accrued liability contributions		<u>3,952,758</u>

Total Prospective Contributions		<u>7,522,960</u>
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Total Assets		\$ 11,417,913
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LIABILITIES

Present value of past and future contri-
butions by members to the Annuity Savings
Fund

\$ 2,156,707

Present value of benefits payable on
account of beneficiaries or their
dependents now drawing allowances from
the Pension Accumulation Fund

1,815,565

Present value of benefits to or on account
of active members to be paid by contribu-
tions of the State into the Pension
Accumulation Fund

7,445,641

Total Liabilities		\$ 11,417,913
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**NORTH CAROLINA LEGISLATIVE RETIREMENT FUND
STATEMENT OF ASSETS, RESERVE AND FUND BALANCES
As of December 31, 1978 and 1977**

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 45,212	\$ 43,661
Total assets	<u>\$ 45,212</u>	<u>\$ 43,661</u>
RESERVE AND FUND BALANCES		
Reserve for contributions	\$ 43,991	\$ 43,119
Fund balance	<u>1,221</u>	<u>542</u>
Total reserve and fund balances	<u>\$ 45,212</u>	<u>\$ 43,661</u>

SCHEDULE J-1

**STATEMENT OF CHANGES IN THE FUND BALANCE
As of December 31, 1978 and 1977**

	<u>1978</u>	<u>1977</u>
Additions:		
Reimbursement from Legislative Services Commission	\$ 99,846	\$ 99,396
Transfers from reserve for contributions	<u>1,546</u>	<u>3,571</u>
Total additions	<u>101,392</u>	<u>102,967</u>
Deductions:		
Monthly payments to beneficiaries	98,400	102,250
Transfers to reserve for contributions for interest earned	1,713	1,704
Administrative expenses	<u>600</u>	<u>600</u>
Total deductions	<u>100,713</u>	<u>104,554</u>
Net additions (deductions) to fund balance	679	(1,587)
Fund balance at January 1	<u>542</u>	<u>2,129</u>
Fund balance at December 31	<u>\$ 1,221</u>	<u>\$ 542</u>

NORTH CAROLINA EMPLOYEE DISABILITY FUND
STATEMENT OF ASSETS AND RESERVE BALANCES
As of December 31, 1978 and 1977

ASSETS	<u>1978</u>	<u>1977</u>
Cash on deposit with State Treasurer	\$ 2,457	\$ 39,411
Investments	<u>15,233,136</u>	<u>15,690,059</u>
Receivables:		
Accrued interest receivable	304,300	270,551
Due from beneficiaries for overpayment	<u>74,781</u>	<u>55,946</u>
Total receivables	<u>379,081</u>	<u>326,497</u>
Total assets	<u><u>\$15,614,674</u></u>	<u><u>\$16,055,967</u></u>
RESERVE BALANCES		
Reserve balances:		
Annuitant Reserves	\$ 8,892,707	\$ 8,246,708
Employer Reserves	<u>6,721,967</u>	<u>7,809,259</u>
Total reserve balances (Net assets)	<u><u>\$15,614,674</u></u>	<u><u>\$16,055,967</u></u>

SCHEDULE K-1

STATEMENT OF CHANGES IN THE ANNUITANT RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Investment income	\$ 514,182	\$ 469,619
Transfer from Employer Reserve	<u>1,778,913</u>	<u>2,145,443</u>
Total additions	<u>2,293,095</u>	<u>2,615,062</u>
Deductions:		
Benefit payments	<u>1,647,096</u>	<u>1,775,613</u>
Total deductions	<u>1,647,096</u>	<u>1,775,613</u>
Net additions to reserve	645,999	839,449
Balance of reserve at January 1	<u>8,246,708</u>	<u>7,407,259</u>
Balance of reserve at December 31	<u><u>\$ 8,892,707</u></u>	<u><u>\$ 8,246,708</u></u>

STATEMENT OF CHANGES IN THE EMPLOYER RESERVE
For the Years Ended December 31, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Additions:		
Investment income	\$ 691,621	\$ 727,962
Total additions	<u>691,621</u>	<u>727,962</u>
Deductions:		
Transfer to Annuitant Reserve	<u>1,778,913</u>	<u>2,145,443</u>
Total deductions	<u>1,778,913</u>	<u>2,145,443</u>
Net deductions to reserve	(1,087,292)	(1,417,481)
Balance of reserve at January 1	<u>7,809,259</u>	<u>9,226,740</u>
Balance of reserve at December 31	<u><u>\$6,721,967</u></u>	<u><u>\$7,809,259</u></u>

SCHEDULE K-3

VALUATION BALANCE SHEET AS OF DECEMBER 31, 1977

ASSETS

Present assets	\$ 16,055,967
Present value of prospective contributions	<u>-0-</u>
Total Assets	<u><u>\$ 16,055,967</u></u>

LIABILITIES

Present value of reported and approved claim liabilities	\$ 4,028,933
Present value of pending claim liabilities	1,723,219
Present value of incurred but unreported claim liabilities	<u>2,494,556</u>
Total claim liabilities	\$ 8,246,708
Reserve Against Future Employer Contributions	<u>7,809,259</u>
Total Liabilities	<u><u>\$ 16,055,967</u></u>

NORTH CAROLINA PUBLIC EMPLOYEES' SOCIAL SECURITY AGENCY
STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 1978

ASSETS

Cash on deposit with State Treasurer	<u>\$ 33,575,473</u>
Total Assets	<u><u>\$ 33,575,473</u></u>

LIABILITIES

Advance Payments by State Agencies	\$ 33,559,540
Advance Payments by Cities and Counties	14,794
Due to Units for Small Balance Adjustments	<u>1,139</u>
Total Liabilities	<u><u>\$ 33,575,473</u></u>

SCHEDULE L-1

STATEMENT OF RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 1978

Additions:

Contributions deducted from payroll and employer matching	<u>\$357,094,554</u>
Total Additions	<u>357,094,554</u>

Deductions:

Payments to United States Treasury	351,459,764
Refunds to Member Units	<u>65,381</u>
Total Deductions	<u>351,525,145</u>

Net Additions	5,569,409
Cash on deposit with State Treasurer at January 1	<u>28,006,064</u>
Cash on deposit with State Treasurer at December 31	<u><u>\$ 33,575,473</u></u>

SUMMARY OF STATE AND LOCAL GOVERNMENT DEBT AND AUTHORIZATIONS

At June 30, 1979

	General Obligation	Revenue Bonds	Total Outstanding Debt	Authorized and Unissued Bonds
State.....	\$ 734,300,000	\$ 1,830,000	\$ 736,130,000	\$453,267,000
State Authorities and Institutions.....		439,227,573	439,227,573	
	<u>734,300,000</u>	<u>441,057,573</u>	<u>1,175,357,573</u>	<u>453,267,000</u>
Counties	714,676,000	96,441,000	811,117,000	148,042,500
Cities and Towns.....	732,679,446	8,903,000	741,582,446	242,837,800
Other Political Subdivisions	<u>31,494,000</u>	<u>16,839,000</u>	<u>48,333,000</u>	<u>6,699,000</u>
	<u>1,478,849,446</u>	<u>122,183,000</u>	<u>1,601,032,446</u>	<u>397,579,300</u>
	<u>\$2,213,149,446</u>	<u>\$563,240,573</u>	<u>\$2,776,390,019</u>	<u>\$850,846,300</u>

Note: This Exhibit does not include Bond Anticipation Notes

OUTSTANDING STATE GENERAL OBLIGATION DEBT

At June 30, 1979

General Fund		
Public School Facilities Bonds		\$243,800,000
Clean Water Bonds.....		64,500,000
Capital and Public Improvement Bonds		225,000,000
Total General Fund		533,300,000
Highway Fund		
Highway Bonds.....		201,000,000*
Total General and Highway Fund		\$734,300,000

*Includes \$60,000,000 of bonds sold on June 12, 1979 and delivered July 10, 1979.

SCHEDULE M-2

ANNUAL DEBT REQUIREMENTS FOR STATE BONDS ISSUED AND OUTSTANDING
At June 30, 1979

Fiscal Year	GENERAL FUND BONDS		HIGHWAY FUND BONDS		TOTAL BONDS	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
1979-80	\$ 25,800,000	\$ 52,024,050	\$ 22,000,000	\$ 29,390,000	\$ 47,800,000	\$ 81,414,050
1980-81	27,300,000	52,501,700	20,000,000	28,148,500	47,300,000	80,650,200
1981-82	28,500,000	52,527,550	13,000,000	20,238,000	41,500,000	72,765,550
1982-83	29,800,000	52,554,000	13,000,000	19,631,000	42,800,000	72,185,000
1983-84	31,700,000	52,918,000	13,000,000	19,051,000	44,700,000	71,969,000
1984-85	32,700,000	52,264,500	13,000,000	18,463,000	45,700,000	70,727,500
1985-86	32,500,000	50,317,000	13,000,000	17,904,500	45,500,000	68,221,500
1986-87	31,500,000	47,650,500	11,000,000	15,407,500	42,500,000	63,058,000
1987-88	32,500,000	46,916,000	9,000,000	12,936,000	41,500,000	59,852,000
1988-89	32,500,000	45,200,500	8,000,000	11,550,000	40,500,000	56,750,500
1989-90	32,500,000	43,559,500	8,000,000	11,162,000	40,500,000	54,721,500
1990-91	32,500,000	41,972,500	8,000,000	10,774,000	40,500,000	52,746,500
1991-92	29,500,000	37,381,500	8,000,000	10,382,000	37,500,000	47,763,500
1992-93	28,500,000	34,856,500	10,000,000	11,965,000	38,500,000	46,821,500
1993-94	26,500,000	31,439,500	10,000,000	11,470,000	36,500,000	42,909,500
1994-95	26,500,000	30,077,500	10,000,000	10,975,000	36,500,000	41,052,500
1995-96	24,500,000	26,790,000	12,000,000	12,437,500	36,500,000	39,227,500
1996-97	19,000,000	20,135,000			19,000,000	20,135,000
1997-98	6,000,000	6,330,000			6,000,000	6,330,000
1998-99	3,000,000	3,060,000			3,000,000	3,060,000
	<u>\$533,300,000</u>	<u>\$780,475,800</u>	<u>\$201,000,000</u>	<u>\$271,885,000</u>	<u>\$734,300,000</u>	<u>\$1,052,360,800</u>

SCHEDULE M-3

STATE BONDS AUTHORIZED AND UNISSUED

As of June 30, 1979

Clean Water Bonds of 1972	\$ 36,000,000
Clean Water Bonds of 1977	218,500,000
Public School Facilities Bonds of 1973	18,750,000
Higher Education Capital Improvement Bonds of 1975	17,000
Highway Bonds of 1977	180,000,000 *
	<u>\$453,267,000</u>

* Does not include \$60,000,000 of bonds sold June 12, 1979 and delivered July 10, 1979.

SCHEDULE M-4

REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE
AUTHORITIES AND INSTITUTIONS

At June 30, 1979

North Carolina A & T University	\$ 4,429,000
Appalachian State University	16,346,802
East Carolina University	12,288,000
Elizabeth City State University	2,108,000
Fayetteville State University	3,350,000
North Carolina Central University	5,012,000
North Carolina State University	15,110,842 ⁽¹⁾
North Carolina School of the Arts	343,115 ⁽²⁾
Pembroke State University	1,730,000
University of North Carolina at Asheville	637,500
University of North Carolina at Chapel Hill	20,992,892
University of North Carolina at Charlotte	14,438,043
University of North Carolina at Greensboro	4,420,000 ⁽³⁾
University of North Carolina at Wilmington	7,136,440
Western Carolina University	9,152,879 ⁽⁴⁾
Winston-Salem State University	2,952,000
State Education Assistance Authority	57,725,000
State Ports Authority	11,400,000
North Carolina Housing Finance Agency	53,075,000
North Carolina Medical Care Commission	196,580,000
Total	<u>\$439,227,573</u>

(1) Includes \$93,019 Escheat Loan

(2) Includes \$178,665 Escheat Loan

(3) Includes \$75,000 Escheat Loan

(4) Includes \$88,899 Escheat Loan

Source: Chief fiscal officer of each authority or institution

Note: The State has no full faith and credit obligation for the indebtedness shown above. This indebtedness is payable solely from certain revenues, pledged fees and reserves and is not secured by taxes of any kind.

EXHIBIT N

STATEMENT OF CASH POSITION

Assets

Agency and Institution Collection Accounts	\$ 18,925,554.21
Treasurer's Bank Clearing Accounts	29,521,210.46
Certificates of Deposit and Savings Certificates	356,362,000.00
Investments at Book Value	810,320,951.79
Clearings in Process	5,121,111.79
	<u>\$1,220,250,828.25</u>

Fund Cash Balances

Disbursing Accounts	230,077,986.08
Institutional Trust Fund Account	30,689,350.60
Investment Clearing Accounts	(5,320,027.04)
General Fund	350,254,400.73
Special Funds	124,881,027.21
Highway Funds	232,034,018.55
Capital Improvement Funds	257,634,072.12
	<u>\$1,220,250,828.25</u>

1,348
1,444
1,407
1,433

SCHEDULE N-1

TREASURER'S CLEARING ACCOUNTS

Raleigh, Bank of North Carolina, N.A.	\$ 602,727.35
Raleigh, Branch Banking & Trust Co.	1,543,622.92
Raleigh, Capitol National Bank & Trust Co.	1,404,614.22
Raleigh, Central Carolina Bank & Trust Co.	2,169,108.87
Raleigh, First Citizens Bank & Trust Co.	490,567.28
Raleigh, First Union National Bank of N.C.	4,326,200.58
Raleigh, North Carolina National Bank	8,904,666.50
Unemployment Benefit Account	506,981.19
Unemployment Clearing Account	177,443.76
Raleigh, The Planters National Bank & Trust Co.	501,077.90
Raleigh, Southern National Bank of N.C.	897,031.13
Raleigh, Wachovia Bank & Trust Co., N.A.	7,990,061.29
Debt Service Clearing Account	7,107.47
	<u>\$29,521,210.46</u>

SCHEDULE N-2

AGENCY, DEPARTMENT AND INSTITUTION COLLECTION ACCOUNTS
AND TIME DEPOSITS

	COLLECTION ACCOUNTS	TIME DEPOSITS
Aberdeen, The Carolina Bank	\$ 9,209.02	\$ 100,000.00
Aberdeen, First Security Savings & Loan Assoc.		
Ahoskie, Tarheel Bank & Trust Co.	8,858.52	
Ahoskie, The Planters National Bank & Trust Co.	7,172.87	
Ahoskie, Wachovia Bank & Trust Co., N.A.	13,385.00	
Albemarle, Cabarrus Bank & Trust Co.	6,861.40	
Albemarle, N.C. Federal Savings & Loan Assoc.		100,000.00
Albemarle, The First National Bank of Albemarle	9,050.99	2,200,000.00
Ansonville, American Bank & Trust Co.	9,594.92	
Asheboro, The First National Bank of Randolph Co.	12,495.66	450,000.00
Asheboro, First Peoples Savings & Loan Assoc.		100,000.00
Asheboro, The Planters National Bank & Trust Co.		
Asheboro, Wachovia Bank & Trust Co., N.A.	12,153.78	
Asheville, Appalachian Savings & Loan, Inc.	6,460.09	100,000.00
Asheville, Blue Ridge Savings & Loan		100,000.00
Asheville, Carolina Federal Savings & Loan Assoc.		100,000.00
Asheville, First Union National Bank of N.C.		
Asheville, The Bank of Asheville	7,948.54	
Asheville, Western Carolina Bank & Trust Co.	14,810.93	1,000,000.00
Banner Elk, North Carolina National Bank		500,000.00
Bath, Southern Bank & Trust Co.		100,000.00
Bayboro, Wachovia Bank & Trust Co., N.A.	1,163.00	
Beaufort, First Citizens Bank & Trust Co.	7,907.67	
Belhaven, Southern Bank & Trust Co.	523.58	
		800,000.00

Belmont, The Bank of Belmont			1,985,000.00
Biscoe, The Fidelity Bank			141,000.00
Black Mountain, The Bank of Asheville	5,064.12		
Black Mountain, The Northwestern Bank	9,195.26		
Boone, Bank of North Carolina, N.A.	12,615.03		
Boone, The Northwestern Bank	88,278.51		
Boone, Watauga Savings & Loan Assoc.		100,000.00	
Booneville, Commercial & Savings Bank		100,000.00	
Brevard, First State Savings & Loan Assoc.		100,000.00	
Brevard, First Union National Bank of N.C.	9,599.64		
Burlington, Bank of North Carolina, N.A.	11,065.29		
Burlington, Burlington National Bank		1,200,000.00	
Burlington, Community Federal Savings & Loan Assoc.		100,000.00	
Burlington, The Morris Plan Industrial Bank		300,000.00	
Burlington, The Northwestern Bank		400,000.00	
Burlington, Wachovia Bank & Trust Co., N.A.	7,639.68		
Burnsville, The Northwestern Bank	5,086.14		
Butner, Central Carolina Bank & Trust Co.	7,409.67		
Candor, The Bank of Candor	4,027.48	100,000.00	
Canton, First Citizens Bank & Trust Co.	8,074.35		
Canton, First Union National Bank of N.C.	5,074.58		
Carolina Beach, Bank of North Carolina, N.A.	5,178.07		
Carthage, Citizens Savings & Loan Assoc.		100,000.00	
Cary, Branch Banking Trust Co.	819.06		
Cary, Cary Savings & Loan Assn. Inc.		100,000.00	
Cary, The Carolina Bank	10,294.93		
Catawba, Peoples Bank		1,190,000.00	
Chapel Hill, Central Carolina Bank & Trust Co.	51,398.44		
Chapel Hill, First Citizens Bank & Trust Co.	20,895.38		
Chapel Hill, North Carolina National Bank	49,792.90		
Charlotte, City National Bank		1,900,000.00	
Charlotte, First Citizens Bank & Trust Co.	8,052.95		

Charlotte, First Federal Savings & Loan, Inc.		100,000.00
Charlotte, First Union National Bank of N.C.		60,000,000.00
Charlotte, Home Federal Savings & Loan Assoc.		100,000.00
Charlotte, Mecklenburg Savings & Loan		100,000.00
Charlotte, Metrolina National Bank		890,000.00
Charlotte, North Carolina National Bank	50,832.63	
Charlotte, Peoples Savings & Loan Assoc.		100,000.00
Cherryville, Cherryville National Bank		400,000.00
Clayton, First Citizens Bank & Trust Co.	1,028.61	
Clinton, First Citizens Bank & Trust Co.	7,060.65	
Clinton, First Union National Bank of N.C.	8,416.87	
Columbia, The East Carolina Bank		140,000.00
Columbus, North Carolina National Bank	1,108.59	
Concord, Citizens National Bank	17,897.79	
Concord, Concord Kannapolis Savings & Loan		750,000.00
Concord, First Union National Bank of N.C.		100,000.00
Concord, The Concord National Bank	128.80	
Conover, First Federal Savings & Loan Assoc. of Catawba Co.		1,500,000.00
Cornelius, First Union National Bank of N.C.		100,000.00
Creswell, The East Carolina Bank	1,284.69	
Danbury, The Northwestern Bank	9,117.44	
Dobson, The Northwestern Bank	9,833.12	
Dobson, Peoples Bank	4,032.76	
Dunn, First Citizens Bank & Trust Co.	7,152.04	
Dunn, Home Savings & Loan Assoc. of Dunn		100,000.00
Dunn, Waccamaw Bank & Trust Co.	6,879.77	
Durham, Central Carolina Bank & Trust Co.	10,769.16	
Durham, First Capital Savings & Loan Assoc.		8,000,000.00
Durham, Liberty Bank & Trust Co.		100,000.00
Durham, Mechanics & Farmers Bank		650,000.00
Durham, Mutual Savings & Loan Assoc.	52,530.64	
Durham, Wachovia Bank & Trust Co., N.A.	8,216.44	
		665,000.00
		100,000.00

Eden, North Carolina National Bank
 Eden, Southern National Bank of North Carolina
 Eden, The Bank of Eden
 Edenton, Peoples Bank & Trust Co.
 Elizabeth City, Albemarle Savings & Loan Assoc.
 Elizabeth City, First Union National Bank of N.C.
 Elizabeth City, Peoples Bank & Trust
 Elizabethtown, Bank of North Carolina, N.A.
 Elizabethtown, Wachovia Bank & Trust Co., N.A.
 Elkin, Mutual Savings & Loan Assoc.
 Elkin, The Northwestern Bank
 Elkin, Yadkin Valley Bank & Trust Co.
 Enfield, Enfield Savings & Loan Assoc.
 Englehard, The East Carolina Bank
 Fairfield, The East Carolina Bank
 Faison, Branch Banking & Trust Co.
 Farmville, First Union National Bank of N.C.
 Fayetteville, Branch Banking & Trust Co.
 Fayetteville, First Citizens Bank & Trust Co.
 Fayetteville, Guaranty Savings & Loan
 Fayetteville, Home Federal Savings & Loan Assoc.
 Fayetteville, North Carolina National Bank
 Fayetteville, Peoples Bank & Trust Co.
 Fayetteville, United National Bank
 Forest City, Independence National Bank
 Forest City, The Northwestern Bank
 Franklin, First Union National Bank of N.C.
 Fuquay-Varina, The Carolina Bank
 Gastonia, Carolina State Bank
 Gastonia, First Citizens Bank & Trust Co.
 Gastonia, First Stock Savings & Loan Corp.
 Gastonia, Independence National Bank

7,903.62
 5,069.62
 500,000.00
 7,534.43
 100,000.00
 100,000.00
 7,642.48
 12,604.08
 100,000.00
 11,737.21
 7,609.66
 100,000.00
 8,396.32
 300,000.00
 100,000.00
 425,000.00
 1,998.30
 634.80
 3,780.03
 7,734.11
 8,202.98
 100,000.00
 100,000.00
 500,000.00
 10,865.32
 6,844.37
 521.95
 14,522.49
 9,605.08
 5,516.07
 100,000.00
 850,000.00
 1,214.80
 100,000.00
 9,545.21
 3,000,000.00

Gatesville, Tarheel Bank & Trust	950,000.00
Goldsboro, American Savings & Loan Assoc.	100,000.00
Goldsboro, Branch Banking & Trust Co.	6,667.27
Goldsboro, First Citizens Bank & Trust Co.	8,491.52
Goldsboro, First Federal Savings & Loan Assoc.	100,000.00
Goldsboro, Wachovia Bank & Trust Co., N.A.	100,000.00
Granite Falls, Bank of Granite	2,750,000.00
Granite Falls, Granite Falls Savings & Loan	100,000.00
Granite Quarry, Farmers & Merchants Bank	200,000.00
Greensboro, American Federal Savings & Loan	100,000.00
Greensboro, Community Bank of Carolina	1,000,000.00
Greensboro, First Citizens Bank & Trust Co.	100,000.00
Greensboro, First Union National Bank of N.C.	11,391.23
Greensboro, Gate City Savings & Loan Assoc.	100,000.00
Greensboro, Gateway Bank	2,000,000.00
Greensboro, Greensboro National Bank	10,240.79
Greensboro, North Carolina National Bank	58,708.04
Greensboro, Scottish Savings & Loan Assoc.	
Greenville, Home Savings & Loan Assoc.	
Greenville, North Carolina National Bank	9,992.54
Greenville, The First State Bank	5,010.08
Greenville, The Planters National Bank & Trust Co.	5,768.63
Greenville, Wachovia Bank & Trust Co., N.A.	57,886.26
Halifax, Branch Banking & Trust Co.	1,126.36
Hamlet, First Southern Savings & Loan Assoc.	100,000.00
Havelock, Bank of North Carolina, N.A.	
Henderson, North Carolina National Bank	11,683.09
Henderson, Southern National Bank of North Carolina	7,604.28
Hendersonville, First Union National Bank of N.C.	6,732.01
Hendersonville, The Northwestern Bank	12,017.40
Hertford, Peoples Bank & Trust Co.	7,171.10
Hickory, Fidelity Federal Savings & Loan Assn.	5,566.30
	100,000.00

Hickory, The First National Bank of Catawba Co.
 Hickory, The Northwestern Bank
 Highlands, First Union National Bank of N.C.
 Highlands, Mountain Federal Savings & Loan Assoc.
 High Point, Central Savings Bank
 High Point, High Point Bank & Trust Co.
 High Point, North Carolina National Bank
 High Point, Perpetual Savings & Loan Assoc.
 High Point, Wachovia Bank & Trust Co., N.A.
 Hope Mills, First Citizens Bank & Trust Co.
 Jacksonville, Bank of North Carolina, N.A.
 Jacksonville, First Citizens Bank & Trust Co.
 Jefferson, The Northwestern Bank
 Kannapolis, Cabarrus Bank & Trust Co.
 Kenansville, Waccamaw Bank & Trust Co.
 Kenly, Kenly Savings & Loan Assoc.
 Kernersville, The Northwestern Bank
 King, United Savings & Loan Assoc.
 Kings Mountain, Home Savings & Loan Assoc.
 Kings Mountain, Kings Mountain Savings & Loan Assoc.
 Kinston, East Federal Savings & Loan Assoc.
 Kinston, First Citizens Bank & Trust Co.
 Kinston, First Financial Savings & Loan Assoc.
 Kinston, Mutual Savings & Loan Assoc.
 Kinston, Wachovia Bank & Trust Co., N.A.
 Laurinburg, Wachovia Bank & Trust Co., N.A.
 Lenoir, Citizens Savings & Loan Assoc.
 Lenoir, Mutual Savings & Loan Assoc.
 Lenoir, The Bank of Granite
 Lenoir, First Union National Bank of N.C.
 Lewiston, Tarheel Bank & Trust Co.
 Lexington, First Union National Bank of N.C.

14,213.87	9,200,000.00
641.47	
4,042.35	
	100,000.00
	350,000.00
	4,500,000.00
7,784.77	100,000.00
6,605.57	
12,786.03	
6,075.43	
9,333.74	
1,003.90	
16,400.02	
9,869.76	100,000.00
10,653.27	
	100,000.00
	100,000.00
	100,000.00
14,358.75	
	100,000.00
6,508.96	100,000.00
14,349.50	
	100,000.00
	100,000.00
22,287.02	
14,311.60	
724.73	
5,925.88	

Lexington, Industrial Savings & Loan	14,798.21	100,000.00
Lexington, Lexington State Bank		1,600,000.00
Lexington, Perpetual Savings & Loan Assoc.		100,000.00
Lillington, Bank of North Carolina, N.A.	2,569.05	
Lillington, Southern National Bank of N.C.	5,028.23	
Lincolnton, Carolina First National Bank	780.81	
Lincolnton, First Citizens Bank & Trust Co.	14,358.20	
Lincolnton, First Federal Savings & Loan Assoc.		100,000.00
Lincolnton, First Southern Savings & Loan Assoc.		100,000.00
Louisburg, Waccamaw Bank & Trust Co.	10,792.55	
Lumberton, First Union National Bank of N.C.	14,748.26	
Lumberton, Robeson Savings & Loan Assoc.		100,000.00
Lumberton, Southern National Bank of N.C.		11,000,000.00
Macclesfield, Southern Bank & Trust Co.		100,000.00
Madison, Madison Savings & Loan Assoc.		100,000.00
Madison, Peoples Bank of N.C.	7,853.38	
Madison, The Northwestern Bank	753.78	
Manteo, Planters National Bank & Trust Co.	6,838.02	
Manteo, The East Carolina Bank	1,305.46	
Marion, First Union National Bank of N.C.	12,917.67	
Marion, North Carolina National Bank		230,000.00
Marion, The Northeastern Bank	14,543.82	
Marshall, First Union National Bank of N.C.	91.43	
Marshall, The Northwestern Bank	6,144.01	
Mocksville, Branch Banking & Trust Co.	4,729.24	
Mocksville, Central Carolina Bank & Trust Co.	2,955.39	
Monroe, American Bank & Trust Co.	13,294.83	
Monroe, Heritage Savings & Loan Assoc.		5,492,000.00
Monroe, Security Bank & Trust Co.		100,000.00
Mooreville, Mooreville Federal Savings & Loan Assoc.	10,919.30	
Mooreville, Piedmont Bank & Trust Co.	9,870.25	
Morehead City, First Citizens Bank & Trust Co.	8,387.16	

Morehead City, Wachovia Bank & Trust Co., N.A.
 Morganton, Morganton Savings & Loan Assoc.
 Morganton, North Carolina National Bank
 Morganton, The Northwestern Bank
 Morganton, Wachovia Bank & Trust Co., N.A.
 Mount Airy, The Northwestern Bank
 Mount Gilead, Southern National Bank of N.C.
 Mount Holly, Mutual Building & Savings Assoc.
 Mount Olive, Mount Olive Savings & Loan
 Mount Olive, Southern Bank & Trust Co.
 Mount Pleasant, Piedmont Bank & Trust Co.
 Murphy, Cherokee Savings & Loan Assoc.
 Murphy, First Union National Bank of N.C.
 Murphy, Wachovia Bank & Trust Co., N.A.
 New Bern, Branch Banking & Trust Co.
 New Bern, First Citizens Bank & Trust Co.
 New Bern, First Federal Savings & Loan Assoc.
 New Bern, North Carolina National Bank
 Newton, The First National Bank of Catawba Co.
 Newton, The Northwestern Bank
 North Wilkesboro, First Citizens Bank & Trust Co.
 North Wilkesboro, North Wilkesboro Savings & Loan Assoc.
 North Wilkesboro, The Northwestern Bank
 Oxford, The Planters National Bank & Trust Co.
 Oxford, The Union National Bank
 Pembroke, First Union National Bank of N.C.
 Pembroke, Lumbee Bank
 Pilot Mountain, Bank of Pilot Mountain
 Pine Level, Bank of Pine Level
 Pineville, American Bank & Trust Co.
 Plymouth, Branch Banking & Trust Co.
 Plymouth, Plymouth Savings & Loan Assoc.

10,859.13	100,000.00
7,446.55	
10,969.63	300,000.00
6,640.81	
5,428.28	
1,552.50	
	100,000.00
	100,000.00
	350,000.00
3,417.20	100,000.00
5,014.65	
14,588.67	
6,077.98	
7,955.30	
13,313.91	100,000.00
11,745.98	
	1,000,000.00
9,930.13	
	100,000.00
11,222.12	17,910,000.00
4,430.26	
3,373.19	
12,891.12	
11,030.28	300,000.00
1,574.12	
	150,000.00
1,017.92	
13,629.47	100,000.00

Plymouth, The Planters National Bank & Trust Co.	7,117.18	100,000.00
Raeform, Raeform Savings & Loan Assoc.		
Raeform, The Bank of Raeform	7,641.95	
Raleigh, Carolina Federal Savings & Loan Assoc.		100,000.00
Raleigh, First Citizens Bank & Trust Co.	8,190,023.49	12,300,000.00
Raleigh, Franklin Savings & Loan Assoc., Inc.		100,000.00
Raleigh, Mechanics & Farmers Bank	42,911.60	
Raleigh, North Carolina National Bank	983,530.98	60,000,000.00
Raleigh, Raleigh Savings & Loan Assoc.		100,000.00
Raleigh, State Bank of Raleigh		1,900,000.00
Raleigh, The Fidelity Bank		655,000.00
Raleigh, Wachovia Bank & Trust Co., N.A.	7,574,766.01	
Reidsville, First National Bank of Reidsville		500,000.00
Reidsville, Mutual Savings & Loan Assoc.	12,847.91	100,000.00
Reidsville, Wachovia Bank & Trust Co., N.A.	8,830.14	
Roanoke Rapids, The Planters National Bank & Trust Co.		
Robbins, Robbins Savings & Loan Assoc.		100,000.00
Robbinsville, Wachovia Bank & Trust Co., N.A.	5,352.55	
Rockingham, Richmond County Bank	7,132.66	1,000,000.00
Rockingham, Richmond Savings & Loan		100,000.00
Rocky Mount, Builders Federal Savings & Loan Assoc.		100,000.00
Rocky Mount, Citizens Savings & Loan Assoc.		100,000.00
Rocky Mount, Home Savings & Loan Assoc.		100,000.00
Rocky Mount, Peoples Bank & Trust Co.	7,402.94	750,000.00
Rocky Mount, Planters National Bank & Trust Co.	1,263.67	1,500,000.00
Rocky Mount, Sun Savings & Loan Assoc.		100,000.00
Roxboro, Central Carolina Bank & Trust Co.	14,340.98	
Roxboro, First Union National Bank of N.C.	10,802.84	
Roxobel, Southern Bank & Trust Co.		
Rural Hall, Commercial Farmers Bank		100,000.00
Rutherfordton, Independence National Bank	4,617.06	625,000.00
Rutherfordton, The Northwestern Bank	5,280.23	100,000.00

Saint Pauls, First Union National Bank of N.C.	8,040.91	
Salisbury, First Union National Bank of N.C.	10,853.72	
Salisbury, Security Bank & Trust Co.	9,019.11	3,750,000.00
Sanford, Mid-South Bank & Trust Co.		1,200,000.00
Sanford, Savings & Loan Assn.		100,000.00
Sanford, Southern National Bank of N.C.	9,347.18	
Sanford, The Carolina Bank	6,856.57	5,878,000.00
Scotland Neck, Home Savings & Loan Assoc.		100,000.00
Seven Springs, Southern Bank & Trust Co.	6,196.77	
Shallotte, Waccamaw Bank & Trust Co.	7,395.70	
Shelby, Cleveland Savings & Loan Assoc.		100,000.00
Shelby, First National Bank	8,143.95	
Shelby, Independence National Bank	10,622.00	
Siler City, The Carolina Bank	2,893.81	
Siler City, First Union National Bank of N.C.	717.19	
Smithfield, First Citizens Bank & Trust Co.	8,837.04	
Smithfield, First Federal Savings & Loan Assoc.		100,000.00
Smithfield, First National Bank of Smithfield	6,333.70	820,000.00
Smithfield, Peoples National Bank		200,000.00
Snow Hill, First Citizens Bank & Trust Co.	3,940.10	
Southern Pines, First Federal Savings & Loan of Moore Co.		100,000.00
Southern Pines, First Union National Bank of N.C.		300,000.00
Southern Pines, Southern National Bank & Trust Co.	14,036.04	
Southport, Security Savings & Loan Assoc.		100,000.00
Southport, Waccamaw Bank & Trust Co.	6,777.75	
Sparta, The Northwestern Bank	5,610.86	
Spindale, Independence National Bank	8,010.63	
Spring Lake, Southern National Bank	5,502.44	
Spruce Pine, The Northwestern Bank	14,774.55	
Statesville, North Carolina National Bank	14,534.39	
Statesville, Security Federal Savings & Loan Assoc.		100,000.00
Statesville, The Northwestern Bank	3,300.57	100,000.00

Sunbury, Farmers Bank of Sunbury	742.00	370,000.00
Swansboro, First Citizens Bank & Trust Co.	2,525.75	
Swan Quarter, The East Carolina Bank	1,741.00	
Sylva, Wachovia Bank & Trust Co., N.A.	51,293.76	1,261,000.00
Tarboro, Edgecombe Bank & Trust Co.	14,047.59	100,000.00
Tarboro, Edgecombe Homestead & Loan Assoc.		
Tarboro, North Carolina National Bank	6,438.79	100,000.00
Tarboro, Tarboro Savings & Loan Assoc.		100,000.00
Taylorsville, Taylorsville Savings & Loan Assoc.		
Taylorsville, The Northwestern Bank	7,683.42	100,000.00
Thomasville, Home Savings & Loan Assoc.		
Thomasville, North Carolina National Bank	13,843.41	100,000.00
Thomasville, The Northwestern Bank		200,000.00
Troy, Bank of Montgomery	10,684.36	
Troy, The Fidelity Bank	881.69	
Tryon, North Carolina National Bank	527.63	140,000.00
Valdese, Western Carolina Savings & Loan Assoc.		100,000.00
Wadesboro, American Bank & Trust	5,124.98	500,000.00
Wadesboro, The First National Bank of Anson Co.	4,270.58	450,000.00
Wake Forest, Wake Forest Savings & Loan Assoc.		100,000.00
Wallace, Branch Banking & Trust Co.	11,887.40	
Walnut Cove, Peoples Bank of N.C.	3,381.20	
Walnut Cove, The Northwestern Bank	5,104.15	
Warrenton, Branch Banking & Trust Co.	4,836.31	
Washington, Home Savings & Loan Assoc.		100,000.00
Washington, North Carolina National Bank	11,870.38	234,000.00
Washington, Seaboard Savings & Loan Assoc.		100,000.00
Washington, Wachovia Bank & Trust Co., N.A.	6,052.27	
Waynesville, First Union National Bank of N.C.	12,950.91	
Weaverville, First Union National Bank of N.C.	1,031.65	
Weldon, Branch Banking & Trust Co.	7,650.73	
Weldon, Weldon Savings & Loan Assoc.		100,000.00

Wentworth, North Carolina National Bank	3,958.94	
West Jefferson, The First National Bank	7,817.38	
Whiteville, First Investors Savings & Loan		100,000.00
Whiteville, Pioneer Savings & Loan Assoc.		100,000.00
Whiteville, Southern National Bank of N.C.		
Whiteville, Waccamaw Bank & Trust Co.	10,653.91	5,000,000.00
Wilkesboro, Wilkes Savings & Loan Assoc.	14,191.47	100,000.00
Williamston, Branch Banking & Trust Co.		
Williamston, Wachovia Bank & Trust Co., N.A.	8,043.73	
Wilmington, North Carolina National Bank	8,395.38	
Wilmington, Wachovia Bank & Trust Co., N.A.	5,243.13	
Wilson, Branch Banking & Trust Co.	5,776.09	
Wilson, First Union National Bank of N.C.	9,534.45	24,500,000.00
Windsor, Southern Bank & Trust Co.	5,634.27	
Winston Salem, First Carolina Savings & Loan Assoc.	3,749.98	
Winston Salem, First Union National Bank of N.C.		100,000.00
Winston Salem, Forsyth Bank & Trust Co.	5,625.77	
Winston Salem, Forsyth Savings & Loan Corp.	11,157.63	2,350,000.00
Winston Salem, North Carolina National Bank		100,000.00
Winston Salem, The Northwestern Bank	6,628.05	
Winston Salem, United Citizens Bank	4,090.69	
Winston Salem, Wachovia Bank & Trust Co., N.A.		2,000,000.00
Winston Salem, Winston Salem Savings & Loan Assoc.	7,614.39	66,000,000.00
Woodland, North Carolina National Bank		100,000.00
Yadkinville, Central Carolina Bank & Trust Co., N.A.		275,000.00
Yadkinville, The Northwestern Bank	6,852.20	
Yanceyville, The Northwestern Bank		1,000,000.00
Zebulon, Peoples Bank & Trust Co.	6,612.46	
TOTAL	6,497.98	
	<u>\$18,925.554.21</u>	
		<u>\$356,362,000.00</u>

SCHEDULE N-3**INVESTMENT OF CASH BALANCES****June 30, 1979**

Repurchase Agreements (maturing from 7-02-79 to 11-16-79)	\$ 258,512,500.00
U. S. Treasury Bills (maturing from 7-19-79 to 4-01-80)	61,566,676.25
U. S. Treasury Notes (maturing from 11-15-79 to 8-15-84)	252,969,687.52
U. S. Agency Securities (maturing from 7-02-79 to 11-26-84)	<u>237,272,088.02</u>
SUB-TOTAL	810,320,951.79
Certificates of Deposit and Savings Certificates (maturing from 7-03-79 to 1-02-80)	<u>356,362,000.00</u>
TOTAL	<u><u>\$ 1,166,682,951.79</u></u>

EXHIBIT O

**INTEREST RATES CHARGED FOR
CERTIFICATES OF DEPOSIT AND SAVINGS CERTIFICATES**

During 1978-79 Fiscal Year

Rate as of June 30, 1978	7.75%
<u>Date of Change</u>	<u>Rate</u>
July 11, 1978	7.875%
August 22, 1978	8.125
September 1, 1978	8.25
September 18, 1978	8.50
September 25, 1978	8.75
October 9, 1978	9.00
October 23, 1978	9.25
November 6, 1978	10.00
November 20, 1978	9.75
November 27, 1978	10.00
December 18, 1978	10.25
June 25, 1979	10.00
Rate as of June 30, 1979	10.00%

STATEMENT OF TRUST FUND INVESTMENTS

At June 30, 1979

	U. S. Treasury Securities	U. S. Agency Securities	Government Insured Or Guaranteed Securities
Retirement Trust Funds:			
Teachers' and State Employees Retirement System	\$197,950,896	\$138,909,276	\$125,583,374
Local Governmental Employees' Retirement System	21,178,559	19,865,557	33,639,010
Law Enforcement Officers' Benefit and Ret. Fund	21,907,024	2,005,991	4,853,344
North Carolina Firemen's Pension Fund		2,458,555	
Uniform Judicial Ret. System	2,475,491	5,185,036	
Uniform Clerks of Superior Court Ret. System	1,253,124	1,429,730	
Uniform Solicitorial Retirement System	412,573	150,000	
Total Retirement Trust Funds	245,177,667	170,004,145	164,075,728
Other Trust Funds:			
North Carolina Employee Disability Fund	7,762,408	7,149,482	
Public School Insurance Fund	11,196,616		
Escheat Fund	14,403,935		
State Property Fire Insurance Fund	7,312,995	400,660	
North Carolina Educ. Assistance Authority Trust Fund	3,691,323		
Workmen's Compensation Security Fund - Stock	2,856,014		
Workmen's Compensation Security Fund - Mutual	2,272,113		
Warehouse System	800,039		
State Literary Fund	200,950		
LEA Unemployment Benefit Reserve	748,705		
Rodman Trust Fund	100,000		
Total Other Trust Funds	51,345,099	7,550,142	
Total All Trust Funds	\$296,522,766	\$177,554,287	\$164,075,728

EXHIBIT P

GNMA Mortgage - Backed Securities	Corporate Bonds	Equity Securities	Total	Average Yield
\$196,049,825	\$2,044,364,889	\$373,569,474	\$3,076,427,734	7.58
32,137,857	331,087,031	41,507,719	479,415,733	7.72
3,982,728	150,433,764		183,182,851	7.99
	12,184,538		14,643,093	8.42
	1,001,437		8,661,964	8.82
			2,682,854	8.61
	741,719		1,304,292	8.40
232,170,410	2,539,813,378	415,077,193	3,766,318,521	7.62
			14,911,890	8.14
			11,196,616	8.08
			14,403,935	8.47
	996,615		8,710,270	8.47
			3,691,323	8.00
	10,041		2,866,055	9.01
	10,041		2,282,154	8.93
			800,039	9.63
			200,950	8.65
			748,706	9.55
			100,000	8.47
	1,016,697		59,911,938	8.36
\$232,170,410	\$2,540,830,075	\$415,077,193	\$3,826,230,459	7.63

STATEMENT OF SECURITIES HELD IN TRUST
JUNE 30, 1979

Description	Par Value
Securities Held in Safekeeping:	
Atlantic & East Carolina Railroad Company	
Deposit to Insure Rental Agreement	\$ 50,000.00
Atlantic & North Carolina Railroad Company	
Treasury Stock (735 shares common stock)	73,500.00
Department of Human Resources	
Dorothea Dix Hospital - Patient's Fund	85,000.00
Educational Leave & Grant Notes	136,804.00
Medical Care Commission	7,078,766.62
Department of Public Education	
Literary Loan Notes	1,760,127.67
Securities Held as Good Faith Deposits:	
North Carolina Department of Agriculture	1,500.00
North Carolina Department of Insurance	86,738,724.75
North Carolina Department of Revenue	424,500.00
North Carolina Industrial Commission	845,000.00
North Carolina Division of Motor Vehicles	305,058.00
Securities Held as Custodian:	
In Treasurer's Vault	
Long-Term Fixed-Income Investment Fund	653,097,566.22
Short-Term Investment Fund	356,362,000.00
By Contractual Custodian Agreements	
Equity Investment Fund	415,077,193.44
Long-Term Fixed Income Investment Fund	2,839,361,000.00
Short-Term Investment Fund	838,100,000.00
Securities Owned by the State:	
North Carolina Railroad Company	
(30,002 shares common stock)	3,000,200.00
Atlantic & North Carolina Railroad Company	
(12,666 shares common stock)	1,266,600.00
Securities Held by Escrow Agents to Secure State Deposits	429,757,000.00
	<u>\$5,633,520,540.70</u>

EXHIBIT R

OPERATING BUDGET
Fiscal Year 1978 - 79

<u>Division</u>	<u>General Fund Appropriation</u>	<u>Receipts</u>	<u>Total Requirements</u>	<u>Total Expended</u>	<u>Unexpended</u>
Administrative Services:					
General Administration	\$ 270,370	\$	\$ 270,370	\$ 260,418	\$ 9,952
Escheat Fund		39,317	39,317	37,967	1,341
Word Processing	28,762	59,305	88,067	70,665	17,402
Data Processing	24,423	358,421	382,844	364,298	18,546
TOTAL DIVISION	323,555	457,043	780,598	733,357	47,241
Investment and Banking:					
Investment Management	136,946	25,675	162,621	154,271	8,350
Banking Operations	418,348	8,665	427,013	364,698	62,315
TOTAL DIVISION	555,294	34,340	589,634	518,969	70,665
State and Local Government Finance:					
TOTAL DIVISION	607,013	97,585	704,598	622,908	81,690
Retirement and Health Benefits:					
Retirement Operations		1,954,721	1,954,721	1,850,292	104,429
Health Benefits	117,694		117,694	93,080	24,614
Social Security	79,789	46,299	126,088	116,543	9,545
TOTAL DIVISION	197,483	2,001,020	1,198,503	2,059,915	138,588
TOTAL OPERATING BUDGET	\$1,683,345	\$2,589,988	\$4,273,333	\$3,935,149	\$ 338,184

ESCHEATS FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
June 30, 1979

ASSETS

Cash		\$ 160,034
Investments		14,403,935
Accrued interest receivable		235,037
Total assets		<u>\$14,799,006</u>

LIABILITIES AND FUND EQUITY**Liabilities:**

Due to State Education Assistance Authority - net income		<u>\$ 928,574</u>
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Fund Equity:

Escheats subject to refund		10,559,255
Unrestricted balance	\$3,429,358	
Less: loan defaults paid	<u>118,181</u>	<u>3,311,177</u>
Total fund equity		<u>13,870,432</u>
Total liabilities and fund equity		<u>\$14,799,006</u>

SCHEDULE S-1

STATEMENT OF INCOME AND CHANGE IN FUND BALANCE
For Fiscal Year Ended June 30, 1979

Revenue from investments	\$ 966,550
Less Administrative expenses	<u>37,976</u>
Net income for year	928,574
Less transfer to State Education Assistance Authority	<u>928,574</u>
Fund balance at end of year	<u><u>\$ -0-</u></u>

SCHEDULE S-2

STATEMENT OF CHANGES IN RESERVE FOR
ESCHEATS SUBJECT TO REFUND
FOR FISCAL YEAR ENDED JUNE 30, 1979

Balance in reserve at beginning of year	\$11,642,870
Increases:	
Funds Escheated	
Estates and Trusts	\$ 37,265
Clerks of State Courts	263,480
State and Federal Banks	559,980
Savings and Loans, Credit unions	23,490
Insurance companies	137,180
Public utilities	208,981
Money orders, travelers checks	60,456
State and government agencies	387,819
Other	<u>726,231</u>
Sub-total	\$ 2,400,882
Student loan default repayments	<u>5,277</u>
	<u>\$ 2,406,159</u>
	\$14,049,029
Decreases:	
Refunds of escheats	<u>178,597</u>
Balance in reserve at end of year	<u><u>\$13,870,432</u></u>

NOTES

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Jan 1st		
1892	1893	1894
1895	1896	1897
1898	1899	1900
1901	1902	1903
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2159	2160	2161
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2168	2169	2170
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2177	2178	2179
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2204	2205	2206
2207	2208	2209
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2237	2238	2239
2240	2241	2242
2243	2244	2245
2246	2247	2248
2249	2250	2251
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2255	2256	2257
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2498	2499	2500

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Date Due

JUN 06 1900

[illegible]

